

GLADSTONE CAPITAL CORP

Form 497

October 27, 2016

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**Filed pursuant to Rule 497  
File No. 333-208637**

## **PROSPECTUS SUPPLEMENT**

**(to Prospectus dated March 29, 2016)**

**2,000,000 Shares**

### **Common Stock**

We are offering 2,000,000 shares of our common stock. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our common stock is traded on the NASDAQ Global Select Market ( NASDAQ ) under the symbol GLAD. 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.

These shares will be offered at a discount from our most recently estimated net asset value ( NAV ) per share pursuant to authority granted for twelve months by our common stockholders at our annual meeting of stockholders held on February 11, 2016, and as subsequently approved by our Board of Directors. Our current authority to offer shares at a price below NAV per share ends on the one year anniversary of our 2016 annual meeting of stockholders, unless our stockholders vote to extend this authority at our 2017 annual meeting of stockholders. Our stockholders did not specify a maximum discount below NAV at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. The last reported closing price of our common stock on October 25, 2016 was \$8.19 per share. The estimated NAV per share of our common stock at October 24, 2016 was \$8.10, which represents the midpoint in our estimated NAV per share range of \$8.05 and \$8.15. Sales of common stock at prices below NAV per share dilute the interest of existing stockholders, having the effect of reducing our NAV per share and may reduce our market price per share. See *Risk Factors* beginning on page S-12 of this prospectus supplement and on page 13 of the accompanying prospectus and *Sales of Common Stock Below Net Asset Value* beginning on page S-18 of this prospectus supplement and page 62 of the accompanying prospectus.

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

Investing in our common stock involves a high degree of risk including, among other things, risks relating to investments in securities of small, private and developing businesses. You could lose some or all of your investment. You should carefully consider each of the factors described under **Risk Factors** beginning on page S-12 of this prospectus supplement and beginning on page 13 of the accompanying prospectus before you invest in our common stock.

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

	<b>Per Share</b>	<b>Total<sup>(2)</sup></b>
Public offering price	\$ 7.98	\$ 15,960,000
Underwriting discounts and commissions (sales load)	\$ 0.3192	\$ 638,400
Proceeds to Gladstone Capital Corporation, before expenses <sup>(1)</sup>	\$ 7.6608	\$ 15,321,600

<sup>(1)</sup> Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be \$240,000.

<sup>(2)</sup> We have granted the underwriters a 30-day option to purchase an additional 300,000 shares of common stock at the public offering price less the sales load payable by us solely to cover over-allotments, if any. If such option is exercised in full, the total underwriting discounts and commissions will be \$734,160, and the total proceeds, before expenses, to us would be \$17,619,840. See *Underwriting* on page S-66 of this prospectus supplement.

The underwriters are expected to deliver the shares on or about October 31, 2016.

### ***Joint Book-Running Managers***

**Janney Montgomery Scott  
Ladenburg Thalmann**

**D.A. Davidson & Co.  
Wunderlich**

*Co-Managers*

**Maxim Group LLC**

**National Securities Corporation**

**J.J.B. Hilliard,  
W.L. Lyons, LLC**

**Prospectus Supplement dated October 26, 2016**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement, together with the accompanying prospectus, sets forth the information that you should know before investing in our common stock.

We also file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may inspect such reports, proxy statements and other information, as well as this prospectus supplement, and the accompanying prospectus and the exhibits and schedules to the registration statement of which the accompanying prospectus is a part, at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is [www.sec.gov](http://www.sec.gov). You may also obtain copies of such material from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

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

This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date, the statement in the document having the later date modifies or supersedes the earlier statement.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. Neither we, nor the underwriters, have authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell shares of our common stock in any jurisdiction where such an offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their respective covers, regardless of the time of delivery or any sale of the common stock.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. 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 in the accompanying prospectus. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, we, us or our refers to Gladstone Capital Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to the Adviser and its affiliated companies. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their overallotment option.*

**Gladstone Capital Corporation**

Gladstone Capital Corporation is an externally managed specialty finance company that provides capital to small and medium-sized private U.S. businesses and commenced investment operations in September 2001. We are a Maryland corporation and operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company, or 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, or the Code.

As of June 30, 2016, our portfolio consisted of investments in 43 companies in 20 states in 20 different industries with a fair value of \$308.2 million, consisting of senior secured term debt, subordinated secured term debt, preferred equity and common equity.

As of October 24, 2016, we had 23,344,422 shares of common stock, par value \$0.001 per share, or common stock, outstanding and 2,440,000 shares of our 6.75% Series 2021 Term Preferred Stock, par value \$0.001 per share, or our Series 2021 Term Preferred Shares (also referred to as our Series 2021 Term Preferred Stock), outstanding. Since our initial public offering in 2001, through June 30, 2016, we have made 161 consecutive monthly distributions on our common stock. Our monthly distribution declared per share of common stock was \$0.07 for each of October, November and December 2016. Our monthly distribution declared per share for our Series 2021 Term Preferred Stock was \$0.140625 for each of October, November and December 2016.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at [www.GladstoneCapital.com](http://www.GladstoneCapital.com).

Information that is contained in, or can be accessed from, our website is not incorporated into and is not a part of this prospectus supplement or the accompanying prospectus.

**Investment Objectives and Strategy**

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States, ( 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 objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally

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ranging from \$8 million to \$30 million, although investment size may vary depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of approximately 90.0% in debt investments and 10.0% in equity investments, at cost. As of June 30, 2016, our investment portfolio was made up of approximately 90.2% in debt investments and 9.8% in equity investments, at cost.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

In July 2012, the SEC granted us an exemptive order that expands our ability to co-invest with certain of our affiliates under certain circumstances and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC's order. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the one-month London Interbank Offered Rate ( LIBOR )) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, and which may include a yield enhancement, such as a success fee or deferred interest provision and are primarily interest only with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of the business. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind ( PIK ) interest. Typically, our equity investments take the form of preferred or common stock, limited liability company interests, or warrants or options to purchase the foregoing. Often, these equity investments occur in connection with our original investment, recapitalizing a business, or refinancing existing debt.

Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval.

We expect that our target portfolio will continue to primarily include the following four categories of investments in private companies 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 the 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 in 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.

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*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.

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% of our total assets in qualifying assets, as described in Section 55(a) of the 1940 Act. 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 qualifying assets under Section 55(a) of the 1940 Act. With the exception of our policy to conduct our business as a BDC, none of our investment policies are deemed fundamental and all may be changed without stockholder approval.

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

## **Our Investment Adviser and Administrator**

The Adviser is our affiliate, investment adviser and a privately-held company led by a management team that has extensive experience in our lines of business. Another of our and the Adviser's affiliates, a privately-held company, the Administrator, employs, among others, our chief financial officer and treasurer, chief accounting officer, chief compliance officer, chief valuation officer, general counsel and secretary (who also serves as our Administrator's president) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the following of our affiliates: Gladstone Commercial, a publicly traded real estate investment trust; Gladstone Investment, a publicly traded BDC and RIC; Gladstone Land, a publicly traded real estate investment trust that invests in farmland and farm related property; the Adviser; and the Administrator. Our president is also an executive managing director of the Adviser. David Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, a privately-held broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and insured by the Securities Investor Protection Corporation.

The Adviser and Administrator also provide investment advisory and administrative services, respectively, to our affiliates, including, but not limited to: Gladstone Commercial; Gladstone Investment; and Gladstone Land. In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

We have been externally managed by the Adviser pursuant to an investment advisory and management agreement (the Advisory Agreement ) since October 1, 2004. The investment advisory and management

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agreement originally included administrative services; however, it was amended and restated on October 1, 2006 and at that time we entered into an administration agreement with the Administrator to provide such services. The investment advisory and management agreement was further amended in October 2015 to reduce the base management fee payable under the agreement from 2.00% per annum to 1.75% per annum, effective July 1, 2015, with all other terms remaining unchanged. The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

**Recent Developments***Preliminary Estimates of Results for the Year Ended September 30, 2016*

Set forth below are certain preliminary estimates of our financial condition and results of operations for the year ended September 30, 2016. These estimates are subject to the completion of our financial closing procedures, including an independent audit, and are not a comprehensive statement of our financial results for the year ended September 30, 2016 or any time thereafter. We advise you that our actual results may differ materially from these estimates as a result of the completion of our independent audit and financial closing procedures and other developments arising between now and the time that we expect to finalize financial results for the year ended September 30, 2016 in November of this year.

Net investment income per weighted average share of common stock outstanding is estimated to have totaled \$0.84 for the year ended September 30, 2016.

Our NAV per share of common stock outstanding as of September 30, 2016 and October 24, 2016 is estimated to be between \$8.05 to \$8.15.

We expect to announce final results of operations for the three months and year ended September 30, 2016 on November 17, 2016 prior to the opening of the financial markets.

The preliminary financial data included herein have been prepared by, and is the responsibility of, management. PricewaterhouseCoopers LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

*Distributions*

In July 2016, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

<b>Record Date</b>	<b>Payment Date</b>	<b>Distribution per Common Share</b>	<b>Distribution per Series 2021 Term Preferred Share</b>
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July 22, 2016	August 2, 2016	\$ 0.07	\$ 0.140625
August 22, 2016	August 31, 2016	0.07	0.140625
September 21, 2016	September 30, 2016	0.07	0.140625
<b>Total for the Quarter</b>		<b>\$ 0.21</b>	<b>\$ 0.421875</b>

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In October 2016, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

<b>Record Date</b>	<b>Payment Date</b>	<b>Distribution per Common Share</b>	<b>Distribution per Series 2021 Term Preferred Share</b>
October 19, 2016	October 31, 2016	\$ 0.07	\$ 0.140625
November 15, 2016	November 30, 2016	0.07	0.140625
December 16, 2016	December 30, 2016	0.07	0.140625
<b>Total for the Quarter</b>		<b>\$ 0.21</b>	<b>\$ 0.421875</b>

Investors in the offering will not be entitled to the distribution payable on October 31, 2016.

*Investment Activity*

In September 2016, we invested \$7.5 million in Canopy Safety Brands, LLC ( Canopy ) through a combination of secured first lien debt and equity. Canopy is a manufacturer and distributor of personal protective equipment.

In September 2016, we invested \$2.0 million in Datapipe, Inc. ( Datapipe ) through secured second lien debt. Datapipe is a global provider of outsourced, mission-critical managed private and public cloud services.

In September 2016, we sold our investment in Westland Technologies, Inc. for net proceeds of \$5.3 million, which resulted in a net realized gain of \$0.9 million.

In September 2016, we sold our investment in Southern Petroleum Laboratories, Inc. for net proceeds of \$9.8 million, which resulted in a realized gain of \$0.9 million.

In September 2016, we restructured our investment in Precision Acquisition Group Holdings, Inc. which resulted in a realized loss of \$3.8 million.

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

*Renewal of our Investment Advisory and Management Agreement*

On July 12, 2016, our Board of Directors, including a majority of the directors who are not parties to the agreement or interested person of any such party, approved the annual renewal of the Advisory Agreement with the Adviser through August 31, 2017. Mr. Gladstone, our chairman and chief executive officer, controls the Adviser. In reaching a decision to approve the Advisory Agreement, our Board of Directors reviewed a significant amount of information and considered, among other things:

the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;

our investment performance and that of the Adviser;

the costs of the services to be provided and profits to be realized by the Adviser from the relationship with us;

the fee structures of comparable externally managed business development companies that engage in similar investing activities; and

various other matters.

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

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**THE OFFERING**

<b>Common stock offered by us</b>	2,000,000 shares (or 2,300,000 shares if the underwriters exercise their overallotment option in full).
<b>Common stock outstanding prior to this offering</b>	23,344,422 shares
<b>Common stock to be outstanding after this offering</b>	25,344,422 shares (or 25,644,422 shares if the underwriters exercise their overallotment option in full).
<b>Use of proceeds</b>	<p>We estimate that the net proceeds from this offering will be approximately \$15.1 million (or approximately \$17.4 million, if the underwriters exercise their overallotment option in full), after deducting underwriting discounts and commissions and expenses of this offering of approximately \$240,000 payable by us.</p> <p>We intend to repay outstanding indebtedness under the \$170.0 million revolving credit facility (the "Credit Facility") that our wholly-owned subsidiary, Gladstone Business Loan, LLC ("Business Loan"), entered into with KeyBank National Association ("KeyBank") as the administrative agent, and for other general corporate purposes. Amounts repaid under the Credit Facility remain available for future borrowings and we may use the proceeds of future borrowings under the Credit Facility to make investments in accordance with our investment strategy and for other general corporate purposes. As of June 30, 2016, we had \$73.3 million of borrowings at cost outstanding under our Credit Facility and currently have \$65.7 million outstanding under our Credit Facility. Indebtedness under the Credit Facility currently accrues interest at the rate of 30-day LIBOR plus 3.25% per annum (or 3.72% as of June 30, 2016) through the revolving period end date of January 19, 2019 and is due and payable on or before April 19, 2020. See <i>Use of Proceeds</i> beginning on page S-16 of this prospectus supplement for more information.</p>
<b>NASDAQ Global Select ticker symbol</b>	GLAD
<b>Distributions on common stock</b>	Our distributions, if any, are authorized at the discretion of our Board of Directors and are based upon the circumstances at the time of authorization. We currently intend to continue to make distributions to stockholders on a monthly basis

(declared quarterly) at the rate of \$0.07 per share of common stock. 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. See *Risk Factors Risks Related to an*

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*Investment in Our Securities* Distributions to our stockholders have included and may in the future include a return of capital in the accompanying prospectus.

In October 2016, we declared a monthly distribution of \$0.07 per common share payable on October 31, 2016 to holders of record as of October 19, 2016. Because the record date for the distribution is before the date of settlement, investors who purchase shares of our common stock in this offering will not be entitled to receive such distribution.

**Trading at a discount**

Shares of closed-end investment companies frequently trade at a discount to their NAV per share. The possibility that our shares may trade at such discount to our NAV per share is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our shares will trade above, at or below NAV per share, although during the past three years, our common stock has generally traded, and at times significantly, at prices below NAV per share. Furthermore, the common stock offered pursuant to this prospectus supplement will be sold at a price below the most recently estimated NAV per share range of \$8.05 to \$8.15.

**Risk factors**

Investing in our common stock involves risks. You should carefully consider the information in the sections entitled *Risk Factors* beginning on page S-12 of this prospectus supplement and page 13 of the accompanying prospectus before deciding to invest in our common stock.

**Tax Matters**

Prospective investors are urged to consult their own tax advisors regarding tax considerations in light of their personal investment circumstances.

We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to U.S. federal income tax on any ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See *Additional Material U.S. Federal Income Tax Considerations* beginning on page S-69 of this prospectus supplement and *Material U.S. Federal Income Tax Considerations* beginning on page 118 of the accompanying prospectus for a discussion of certain material

U.S. federal income tax considerations applicable to an investment in shares of our common stock.

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**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 are annualized and have been calculated based on actual expenses incurred in the quarter ended June 30, 2016, and average net assets attributable to common stockholders for the quarter ended June 30, 2016.

<b>Stockholder Transaction Expenses:</b>	
Sales load (as a percentage of offering price) <sup>(1)</sup>	4.0%
Offering expenses (as a percentage of offering price) <sup>(2)</sup>	1.50%
Dividend reinvestment plan expenses <sup>(3)</sup>	None
Total stockholder transaction expenses	5.50%
<b>Annual expenses (as a percentage of net assets attributable to common stock)<sup>(4)</sup> :</b>	
Base Management fee <sup>(5)</sup>	2.95%
Loan servicing fee <sup>(6)</sup>	1.93%
Incentive fee (20.0% of realized capital gains and 20.0% of pre-incentive fee net investment income) <sup>(7)</sup>	2.55%
Interest payments on borrowed funds <sup>(8)</sup>	1.79%
Dividend expense on mandatorily redeemable preferred stock <sup>(9)</sup>	2.40%
Other expenses <sup>(10)</sup>	1.99%
Total annual expenses <sup>(11)</sup>	13.61%

- (1) This amount represents the expected underwriting discount with respect to shares of our common stock sold by us in this offering.
- (2) The expenses of this offering payable by us (other than the underwriting discount) are estimated to be approximately \$240,000. The amount of offering expenses, as a percentage of the offering price of shares to be sold in this offering, is based on a public offering price of \$7.98 per share. If the underwriters exercise their over-allotment option in full, the offering expenses borne by our stockholders (as a percentage of the offering price) will be approximately 1.31%. See *Underwriting* for additional information on our underwriting arrangements for this offering.
- (3) The expenses of the reinvestment plan are included in stock record expenses, a component of Other expenses. The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See *Dividend Reinvestment Plan* 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 total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital's base management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to 2.95% of the average net assets as of June 30, 2016 by dividing the total dollar amount of the management fee by Gladstone Capital's average net assets. The base management fee for the

quarter ended June 30, 2016 before application of any credits was \$1.4 million. Under the Advisory Agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated

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third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. Generally, at the end of each quarter, 100.0% of these fees are voluntarily, irrevocably and unconditionally credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended June 30, 2016, the base management fee credit was \$0.3 million. See *Management Certain Transactions* in the accompanying prospectus.

- (6) In addition, the Adviser services, administers and collects on the loans held by Business Loan, in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our Credit Facility. For the three months ended June 30, 2016, the total loan servicing fee was \$0.9 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. See *Management Certain Transactions Investment Advisory and Management Agreement* 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 preincentive 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 June 30, 2016. The income-based incentive fee for the quarter ended June 30, 2016 was \$1.2 million.

From time to time, the Adviser has voluntarily, irrevocably and unconditionally agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. For the quarter ended June 30, 2016, the incentive fee credit was \$0.2 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%.

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

$$= 100\% \times (2.00\% - 1.75\%)$$

$$= 0.25\%$$

Assuming pre-incentive fee net investment income of 2.30%, the income-based incentive fee would be as follows:

$$= (100\% \times (\text{catch-up} : 2.1875\% - 1.75\%)) + (20\% \times (2.30\% - 2.1875\%))$$

$$= (100\% \times 0.4375\%) + (20\% \times 0.1125\%)$$

$$= 0.4375\% + 0.0225\%$$

$$= 0.46\%$$

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:

$$= 20\% \times (6\% - 1\%)$$

$$= 20\% \times 5\%$$

$$= 1\%$$

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

- (8) Includes interest payments and amortization of deferred financing costs related to the Credit Facility. As of June 30, 2016, we had \$73.3 million in borrowings outstanding on our Credit Facility.
- (9) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended June 30, 2016. See *Description of Our Securities Preferred Stock Series 2021 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 Administration Agreement* in the accompanying prospectus.
- (11) Total annualized gross expenses, based on actual amounts incurred for the quarter ended June 30, 2016, would be \$25.3 million. After all voluntary credits described in footnote 5 above, 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 June 30, 2016, would be \$19.7 million, or 10.62% as a percentage of net assets.

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**Table of Contents****Example**

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 5.00% annual return consisting entirely of ordinary income <sup>(1)(2)</sup>	\$ 120	\$ 335	\$ 521	\$ 884
assuming a 5.00% annual return consisting entirely of capital gains <sup>(2)(3)</sup>	\$ 129	\$ 356	\$ 550	\$ 915

- (1) 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%. For purposes of this example, we have assumed that the entire amount of such 5.00% 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 5.00% annual return is significantly below the hurdle rate of 7.00% (annualized) that we must achieve under the Advisory 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 5.00% annual return on our investments.
- (2) While the example assumes reinvestment of all 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 weighted average price of all shares of our common stock purchase on the open market by the plan agent on such trade date or dates. See *Dividend Reinvestment Plan* in the accompanying prospectus for additional information regarding our distribution reinvestment plan.
- (3) For purposes of this example, we have assumed that the entire amount of such 5.00% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

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**RISK FACTORS**

**There are material limitations with making preliminary estimates of our financial results for the three months and year ended September 30, 2016 prior to the completion of our and our auditors' financial review procedures for such period.**

The preliminary financial estimates contained in *Prospectus Supplement Summary Recent Developments* are not a comprehensive statement of our financial results for the three months and year ended September 30, 2016 and have not been audited by our independent registered public accounting firm. Our consolidated financial statements for the year ended September 30, 2016 will not be available until after this offering is completed and, consequently, will not be available to you prior to investing in this offering. Our actual financial results for the three months and year ended September 30, 2016 may differ materially from the preliminary financial estimates we have provided as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the three months and year ended September 30, 2016 are finalized. The preliminary financial data included herein have been prepared by, and are the responsibility of, management. PricewaterhouseCoopers LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to such preliminary estimates. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

**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 of this offering or redeploying amounts repaid under the Credit Facility may impair our performance. We cannot assure you that we will be able to identify investments that meet our investment objectives or that any investment we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could adversely affect 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 NAV may change significantly since our last valuation at June 30, 2016.**

Generally, our Board of Directors reviews and approves the fair value of our portfolio of investments on a quarterly basis. The last such quarterly review occurred as of June 30, 2016. Further, our financial statements

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have not been audited by our independent registered public accounting firm for any periods since September 30, 2015. The fair value of various individual investments in our portfolio and/or the aggregate fair value of our investments may have changed significantly since that time. We are currently in the process of determining the fair value of our portfolio as of September 30, 2016 and based on the preliminary assessment of our Board of Directors, the fair value has increased since June 30, 2016. If our Board of Directors makes a final determination that the fair value of our investment portfolio at September 30, 2016 was less than such fair value at June 30, 2016, then we will record an unrealized loss on our investment portfolio and report a lower NAV per share than is reflected in the Consolidated Selected Financial Data and the financial statements included elsewhere in this prospectus supplement. If our Board of Directors determines that the fair value of our investment portfolio at September 30, 2016 was greater than such fair value at June 30, 2016, we will record an unrealized gain on our investment portfolio and report a greater NAV per share than so reflected elsewhere in this prospectus supplement. Upon publication of this information in connection with our announcement of operating results for our quarter and fiscal year ended September 30, 2016, the market price of our common stock may fluctuate materially, and may be substantially less than the price per share you pay for our common stock in this offering.

**Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV.**

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from NAV. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common stock will trade at, above or below NAV, however our common stock has generally traded below NAV in the last three years. In addition, if our common stock trades below NAV, we will generally not be able to issue additional common stock at the market price without the approval of our stockholders and Board of Directors, including a majority of our independent directors. At our Annual Stockholders Meeting on February 11, 2016, our stockholders voted to allow us to issue common stock at a price below NAV per share for a one-year period. Our stockholders did not specify a maximum discount below NAV at which we are able to issue our common stock but we are unable to issue and sell more than 25% of our then outstanding common stock immediately prior to any offering below NAV. For instance, we have in the past and may in the future issue shares of our common stock below NAV.

**Stockholders who do not participate in this offering may experience immediate dilution in an amount that may be material.**

We have obtained approval from our stockholders for us to be able to sell an unlimited number of shares of our common stock at any level of discount from NAV per share in certain circumstances during a one-year period ending in February 2017 (subject to a limitation on issuing and selling in a single offering more than 25% of the shares of our common stock outstanding immediately prior to such offering). If we issue or sell shares of our common stock at a discount to NAV, and we may do so in this offering, it will pose a risk of dilution to our existing stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see *Sales of Common Stock Below Net Asset Value* in this prospectus supplement and in the accompanying prospectus.

**Holders of our preferred stock and future holders of any securities ranking senior to our common stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock.**

In May 2014, we completed a public offering of the Series 2021 Term Preferred Stock, at a public offering price of \$25.00 per share. In such offering, we issued 2.4 million shares of Series 2021 Term Preferred Stock. The shares of Series 2021 Term Preferred Stock have dividend, distribution and liquidation rights that are senior to

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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.

**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, including borrowing money from banks or other financial institutions only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after 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 this test. 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.



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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as may, might, believe, will, provided, anticipate, future, could, growth, plan, intend, expect, seek, 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, financial condition 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:

the recurrence or impact 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, Robert L. Marcotte or Terry Lee Brubaker;

changes in our investment objectives and strategy;

actual and potential conflicts of interest with our Adviser and other affiliates of the Company;

availability, terms (including the possibility of interest rate volatility) and deployment of capital;

our business prospects and the prospects of our portfolio companies;

the degree and nature of our competition;

our ability to maintain our qualification as a RIC and as a BDC; and

those factors described in the *Risk Factors* sections 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. 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, except as otherwise required by applicable law. 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 of 1933, as amended (the Securities Act ).

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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the 2,000,000 shares of our common stock that we are offering, after deducting underwriting discounts and commissions and expenses of this offering payable by us, will be approximately \$15.1 million (or \$17.4 million, if the underwriters exercise their overallotment option in full) based on a public offering price of \$7.98 per share.

We intend to use the net proceeds from this offering to help repay borrowings under the Credit Facility and for other general corporate purposes. Amounts repaid under the Credit Facility remain available for future borrowings and we may use the proceeds of future borrowings under the Credit Facility to make investments in accordance with our investment strategy and for other general corporate purposes. As of June 30, 2016, we had \$73.3 million of borrowings outstanding under our Credit Facility. We currently have \$65.7 million outstanding under the Credit Facility. Indebtedness under our Credit Facility currently accrues interest at the rate of 30-day LIBOR plus 3.25% (or 3.72% as of June 30, 2016) and the revolving period ends in January 2019 and is due and payable on or before April 19, 2020. We anticipate that substantially all of the net proceeds of the offering will be utilized in the manner described above within three months of the completion of this offering. Pending such utilization, we intend to invest the net proceeds of the offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of June 30, 2016:

on an actual basis; and

on an as adjusted basis to give effect to the sale of 2,000,000 shares of common stock in this offering at a per share public offering price of \$7.98 per share after deducting underwriters discounts and commissions and estimated offering expenses payable by us (and assuming the underwriters overallotment option is not exercised). See *Use of Proceeds*.

	As of June 30, 2016	
	Actual	As Adjusted
	(Unaudited)	
	(Dollars in thousands)	
<b>Borrowings</b>		
Borrowings at fair value (cost: \$73,300, actual; \$58,218, as adjusted) <sup>(1)(2)</sup>	\$ 73,300	\$ 58,218
Total Borrowings	\$ 73,300	\$ 58,218
<b>Preferred Stock</b>		
6.75% Series 2021 Cumulative Term Preferred Stock, \$0.001 par value per share; \$25 liquidation preference per share; 2,460,118 shares authorized and 2,440,000 issued and outstanding, actual and as adjusted <sup>(3)</sup>	\$ 61,000	\$ 61,000
Total Preferred Stock (4,000,000 shares authorized and 2,440,000 issued and outstanding, actual and as adjusted)	\$ 61,000	\$ 61,000
<b>Net Assets Applicable to Common Stockholders</b>		
Common stock, \$0.001 par value per share, 46,000,000 shares authorized, actual and as adjusted; 23,344,422 shares issued and outstanding, actual and 25,344,422 shares issued and outstanding, as adjusted <sup>(3)</sup>	\$ 23	\$ 25
Capital in excess of par value	327,697	342,777
Cumulative net unrealized depreciation on investments	(78,100)	(78,100)
Net investment income in excess of distributions	4,599	4,599
Accumulated net realized losses	(68,705)	(68,705)
Total Net Assets Available to Common Stockholders	\$ 185,514	\$ 200,596
<b>Total Capitalization</b>	\$ 319,814	\$ 319,814

- (1) Our borrowings have not been fair-value adjusted for the as adjusted presentation as of June 30, 2016.
- (2) Does not include approximately \$7.6 million in net repayments made subsequent to June 30, 2016.
- (3) None of these outstanding shares are held by us or for our account.

The following are our outstanding classes of securities as of October 24, 2016:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY US OR FOR OUR ACCOUNT	AMOUNT OUTSTANDING (EXCLUSIVE OF AMOUNTS HELD BY US OR FOR OUR ACCOUNT)
Common Stock	46,000,000		23,344,422
6.75% Series 2021 Term Preferred Stock	2,460,118		2,440,000

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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

At our 2016 annual stockholders meeting on February 11, 2016, our stockholders approved our ability to issue and sell shares of our common stock at a price below the then current NAV per common share during a period beginning on February 11, 2016 and expiring on the first anniversary of such date (the "Stockholder Approval"). The offering of common stock being made pursuant to this prospectus supplement will be at a price below our most recently estimated NAV per share range on October 24, 2016 of \$8.05 to \$8.15 per share. To sell shares of common stock at a price below NAV per share, pursuant to the Stockholder Approval, the 1940 Act mandates that a majority of our directors who have no financial interest in the sale and a majority of our independent directors have determined (i) that such sale and issuance is in our best interests and in the best interests of our stockholders and (ii) as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, and in good faith and in consultation with the underwriters of the offering, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

In addition to the mandates of the 1940 Act pertaining to issuances and sales of common stock at a price below NAV per share, our Stockholder Approval requires that in any offering of common stock at a price below NAV per share the total number of shares issued and sold pursuant to such Stockholder Approval may not exceed 25% of our currently outstanding common stock immediately prior to each such sale. This offering meets this additional requirement.

This offering of common stock will be conducted below its NAV per share and is designed to raise capital to help repay outstanding borrowings under the Credit Facility and for other general corporate purposes.

In making a determination that an offering of common stock below its NAV per share is in our and our stockholders best interests, our Board of Directors has considered a variety of factors including:

the effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined NAV per share;

the relationship of recent market prices of par common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

whether the estimated offering price would closely approximate the market value of shares of our common stock;

the potential market impact of being able to raise capital during financial market difficulties;

the nature of any new investors anticipated to acquire shares of our common stock in the offering;

the anticipated rate of return on and quality, type and availability of investments; and

the leverage available to us, both before and after the offering and other borrowing terms; and

the potential investment opportunities available relative to the potential dilutive effect of additional capital at the time of the offering.

Our Board of Directors has also considered the fact that sales of shares of common stock at a discount will benefit the Adviser as the Adviser will ultimately earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at a premium to NAV per share.

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We will not sell shares of our common stock under this prospectus pursuant to the Stockholder Approval without first filing a new post-effective amendment to the registration statement if the cumulative dilution to our net asset value per share from offerings under the registration statement, as amended by any post-effective amendments, exceeds 15%. This would be measured separately for each offering pursuant to the registration statement, as amended, by calculating the percentage dilution or accretion to aggregate net asset value from that offering and then summing the percentage from each offering. We do not expect dilution from this offering to exceed 15%.

In addition, the maximum number of shares issuable below NAV per share that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering. Sales by us of our common stock at a discount from NAV per share pose potential risks for our existing stockholders whether or not they participate in this offering, as well as for new investors who participate in this offering. Any sale of common stock at a price below NAV per share results in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See *Risk Factors Stockholders who do not participate in this offering will experience immediate dilution in an amount that may be material* in this prospectus supplement and *Risk Factors Risks Related to an Investment in Our Securities* in the accompanying prospectus.

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of this offering of our common stock at a price less than NAV per share on three different types of investors:

existing stockholders who do not purchase any shares in the offering;

existing stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become stockholders by purchasing shares in the offering.

### **Impact on Existing Stockholders Who Do Not Participate in the Offering**

Our existing common stockholders who do not participate in this offering or who do not buy additional shares in the secondary market at the same or lower price we obtain in this offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate dilution in the NAV of the common shares they hold and their NAV per common share. These common stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to this offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per common share. This decrease could be more pronounced as the size of the offering and level of discounts increase.



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The following table illustrates the level of NAV dilution that could be experienced by an existing common stockholder that does not participate in this offering. It is not possible to predict the level of market price decline that may occur. The table below is based upon financial information as of June 30, 2016 except NAV per share, which is based on the midpoint of the estimated range of NAV per share as of October 24, 2016. The following example assumes a sale of 2,000,000 shares of common stock at a public offering price of \$7.98 per share with a 4.00% underwriting discount and commission and \$240,000 of estimated offering expenses (\$0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

	<b>PRIOR TO SALE BELOW NAV</b>	<b>FOLLOWING SALE</b>	<b>% CHANGE</b>
<b>Offering Price</b>			
Price per common share to public		\$ 7.98	
Net proceeds per common share to us		\$ 7.54	
<b>Decrease to NAV</b>			
Total common shares outstanding	23,344,422	25,344,422	8.57
NAV per common share	\$ 8.10	\$ 8.06	(0.54)
<b>Dilution to Stockholder</b>			
Common shares held by common stockholder	23,344	23,344	
Percentage held by common stockholder	0.10%	0.09%	(7.89)
<b>Total Asset Values</b>			
Total NAV held by common stockholder	\$ 189,090	\$ 188,060	(0.54)
Total investment by common stockholder (Assumed to be \$8.10 per common share on common shares held prior to sale)	\$ 189,090	\$ 189,090	
Total dilution to common stockholder (Total NAV less total investment)		\$ (1,030)	
<b>Per Share Amounts</b>			
NAV per share held by common stockholder	\$ 8.10	\$ 8.06	(0.54)
Investment per share held by common stockholder (Assumed to be \$8.10 per common share on common shares held prior to sale)	\$ 8.10	\$ 8.10	
Dilution per common share held by stockholder (NAV per common share less investment per share)		\$ (0.04)	
Percentage dilution to common stockholder (Dilution per common share divided by investment per common share)			(0.54)

**Impact on Existing Stockholders Who Do Participate in the Offering**

Our existing common stockholders who participate in this offering or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating common stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our common shares immediately prior to the offering. The level of NAV dilution will decrease as the number of common shares such stockholders purchase increases. Existing common stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing common stockholders who purchase less than their proportionate share of this offering, experience accretion in NAV per common share over their investment per share and will also experience a

disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to this offering. The level of accretion will increase as the excess number of shares such common stockholder purchases increases. Even a common stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such common stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced

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or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following table illustrates the level of dilution and accretion for a common stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,000 shares, which is 0.05% of the offering rather than its 0.10% proportionate share) and (2) 150% of such percentage (i.e., 3,000 shares, which is 0.15% of the offering rather than its 0.10% proportionate share). The table below is shown based upon financial information as of June 30, 2016 except NAV per share, which is based on the midpoint of the estimated range of NAV per share as of October 24, 2016. The following example assumes a sale of 2,000,000 shares of common stock at a public offering price of \$7.98 per share, with a 4.00% underwriting discount and commission and \$240,000 of estimated offering expenses (\$0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

	<b>PRIOR TO SALE BELOW NAV</b>	<b>50% PARTICIPATION FOLLOWING SALE</b>	<b>% CHANGE</b>	<b>150% PARTICIPATION FOLLOWING SALE</b>	<b>% CHANGE</b>
<b><i>Offering Price</i></b>					
Price per common share to public		\$ 7.98		\$ 7.98	
Net Proceeds per common share to issuer		\$ 7.54		\$ 7.54	
<b><i>Decrease to NAV</i></b>					
Total common shares outstanding	23,344,422	25,344,422	8.57	25,344,422	8.57
NAV per common share	\$ 8.10	\$ 8.06	(0.54)	\$ 8.06	(0.54)
<b><i>Dilution/Accretion to Common Stockholder</i></b>					
Common shares held by stockholder	23,344	24,344	4.28	26,344	12.85
Percentage held by common stockholder	0.10%	0.10%	(3.95)	0.10%	3.95
<b><i>Total Asset Values</i></b>					
Total NAV held by common stockholder	\$ 189,090	\$ 196,116	3.72	\$ 212,227	12.24
Total investment by common stockholder (Assumed to be \$8.10 per common share on common shares held prior to sale)	\$ 189,090	\$ 197,070	4.22	\$ 213,030	12.66
Total dilution to common stockholder (Total NAV less total investment)		\$ (954)		\$ (803)	
<b><i>Per Common Share Amounts</i></b>					
NAV per common share held by stockholder	\$ 8.10	\$ 8.06	(0.54)	\$ 8.06	(0.54)
Investment per common share held by stockholder (Assumed	\$ 8.10	\$ 8.10	(0.06)	\$ 8.09	(0.17)

to be \$8.10 per common share  
on common shares held prior  
to sale)

Dilution per common share  
held by stockholder (NAV per  
common share less investment  
per common share)

\$	(0.04)	\$	(0.03)
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Percentage dilution to  
stockholder (Dilution per  
common share divided by  
investment per common share)

(0.48)	(0.38)
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**Table of Contents****Impact on New Investors**

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per common share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease in the NAV of their shares and their NAV per share compared to the price they pay for their shares of common stock. Investors who are not currently stockholders and who participate in this offering and whose investment per common share is also less than the resulting NAV per common share due to selling compensation and expenses paid by the issuer being significantly less than the discount per common share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares of common stock. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new common stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares of, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following table illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same percentage (0.10%) of the common shares in the offering as the common stockholder in the prior examples held immediately prior to the offering. These stockholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases. It is not possible to predict the level of market price decline that may occur. The table below is shown based upon financial information as of June 30, 2016 except NAV per share, which is based on the midpoint of the estimated range of NAV per share as of October 24, 2016. The following example assumes a sale of 2,000,000 shares of common stock at a public offering price of \$7.98 per share, with a 4.00% underwriting discount and commission and \$240,000 of estimated offering expenses (\$0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

	<b>PRIOR TO SALE BELOW NAV</b>	<b>FOLLOWING SALE</b>	<b>% CHANGE</b>
<b><i>Offering Price</i></b>			
Price per common share to public		\$ 7.98	
Net proceeds per common share to issuer		\$ 7.54	
<b><i>Decrease to NAV</i></b>			
Total common shares outstanding	23,344,422	25,344,422	8.57
NAV per common share	\$ 8.10	\$ 8.06	(0.54)
<b><i>Accretion to New Investor</i></b>			
Common shares held by new investor		2,000	
Percentage held by new investor		% 0.01%	
<b><i>Total Asset Values</i></b>			
Total NAV held by new investor		\$ 16,112	
Total investment by new investor (At price to public)		\$ 15,960	
Total dilution to new investor (Total NAV less total investment)		\$ 152	

**Per Common Share Amounts**

NAV per common share held by new investor	\$	8.06	
Investment per share held by new investor (At price to public)	\$	7.98	
Dilution per common share held by new investor (NAV per common share less investment per common share)	\$	(0.08)	
Percentage dilution to new investor (accretion per common share divided by investment per common share)			0.95

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**Table of Contents****DISTRIBUTIONS**

We currently intend to distribute in the form of cash distributions a minimum of 90% of our ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, on a quarterly basis to our stockholders in the form of monthly distributions. We intend to retain net long-term capital gains in excess of net short-term losses and treat them as deemed distributions for tax purposes. We report the estimated tax characteristics of each distribution when declared while the actual tax characteristics of distributions are reported annually to each stockholder on IRS Form 1099-DIV. There is no assurance that we will maintain our status as a RIC or achieve investment results necessary for 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 can be reinvested automatically under our distribution reinvestment plan in additional whole and fractional shares. A stockholder whose shares are held in the name of a broker or other nominee should contact the broker or nominee regarding participation in our distribution reinvestment plan on the stockholder's behalf. 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.

**SHARE PRICE DATA**

Our common stock is traded on the NASDAQ under the symbol GLAD. The following table reflects, by quarter, the high and low sales prices per share of our common stock on the NASDAQ, the high and low sales prices as a percentage of NAV per share and quarterly distributions declared per share for each quarter since October 1, 2013.

					(DISCOUNT) OR PREMIUM OF HIGH SALES PRICE TO NAV <sup>(2)</sup>	(DISCOUNT) OR PREMIUM OF LOW SALES PRICE TO NAV <sup>(2)</sup>
SALES PRICE						
	NAV <sup>(1)</sup>	HIGH	LOW	DISTRIBUTIONS DECLARED		
Fiscal Year ending September 30, 2014 <sup>(3)</sup>						
First Quarter	\$ 10.10	\$ 9.92	\$ 8.60	\$ 0.21	(1.8)%	(14.9)%
Second Quarter	9.79	10.37	9.27	0.21	5.9	(5.3)
Third Quarter	8.62	10.21	9.41	0.21	18.4	9.2
Fourth Quarter	9.51	10.27	8.06	0.21	8.0	(15.2)
Fiscal Year ending September 30, 2015 <sup>(4)</sup>						
First Quarter	9.31	9.41	8.02	0.21	1.1	(13.9)
Second Quarter	9.55	9.10	7.25	0.21	(4.7)	(24.1)
Third Quarter	9.49	8.99	7.84	0.21	(5.3)	(17.4)
Fourth Quarter	9.06	9.25	7.58	0.21	2.1	(16.3)

**Fiscal Year ending  
September 30, 2016<sup>(5)</sup>**

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	*	8.75	7.24	0.21	*	*

**Fiscal Year ending  
September 30, 2017<sup>(6)</sup>**

First Quarter (through October 25, 2016)	*	8.65	8.02	0.21	*	*
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- (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.
  - (3) For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock distributions), which resulted in a partial return of capital of approximately \$15.2 million, or approximately \$0.72 per share. The return of capital for the year ended September 30, 2014 primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.
  - (4) For the fiscal year ended September 30, 2015, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat \$1.7 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year.
  - (5) The characterization of the common stockholder distributions declared and paid for the fiscal year ended September 30, 2016 will be determined based upon taxable income for the full fiscal year and distributions paid during the full fiscal year.
  - (6) The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2017 will be determined at fiscal year-end based upon taxable income for the full fiscal year and distributions paid during the full fiscal year.
- \* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.
- As of October 24, 2016, there were 42 record owners of our common stock. The last reported sales price of our common stock on NASDAQ on October 25, 2016 was \$8.19 per share, representing a 1.1% premium to our estimated NAV per share of \$8.10, which is based on the midpoint of the estimated range of NAV per share as of October 24, 2016.

**Table of Contents****CONSOLIDATED SELECTED FINANCIAL DATA**

The following consolidated selected financial data for the fiscal years ended September 30, 2015, 2014, 2013, 2012 and 2011 are derived from our audited consolidated financial statements. The consolidated selected financial data for the nine months ended June 30, 2016 and 2015 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other unaudited data included at the bottom of the table 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.

	<b>Nine Months Ended June 30,</b>		<b>Year Ended September 30,</b>				
	<b>2016</b>	<b>2015</b>	<b>(Dollar amounts in thousands, except per share data)</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>		
<b>Statement of Operations Data:</b>							
Total Investment Income	\$ <b>29,362</b>	\$ 27,884	\$ <b>38,058</b>	\$ 36,585	\$ 36,154	\$ 40,322	\$ 35,211
Total Expenses, Net of Credits from Adviser	<b>14,778</b>	15,664	<b>20,358</b>	18,217	17,768	21,278	16,799
Net Investment Income	<b>14,584</b>	12,220	<b>17,700</b>	18,368	18,386	19,044	18,412
Net Realized and Unrealized Gain (Loss) on Investments, Borrowings and Other	<b>(23,912)</b>	960	<b>(9,216)</b>	(7,135)	13,833	(27,052)	(39,511)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ <b>(9,328)</b>	\$ 13,180	\$ <b>8,484</b>	\$ 11,233	\$ 32,219	\$ (8,008)	\$ (21,099)
<b>Per Share Data:</b>							
Net Investment Income per Common Share Basic and Diluted <sup>(A)</sup>	\$ <b>0.63</b>	\$ 0.58	\$ <b>0.84</b>	\$ 0.87	\$ 0.88	\$ 0.91	\$ 0.88
Net Increase (Decrease) in Net Assets Resulting	<b>(0.40)</b>	0.63	<b>0.40</b>	0.53	1.53	(0.38)	(1.00)

From Operations  
per Common  
Share Basic and  
Diluted<sup>(A)</sup>

Cash Distributions Declared Per Common Share	<b>0.63</b>	0.63	<b>0.84</b>	0.84	0.84	0.84	0.84
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**Statement of  
Assets and  
Liabilities Data:**

Total Assets	\$ <b>325,550</b>	\$ 369,261	\$ <b>382,482</b>	\$ 301,429	\$ 295,091	\$ 293,402	\$ 317,624
Net Assets	<b>185,514</b>	200,643	<b>191,444</b>	199,660	205,992	188,564	213,721
Net Asset Value Per Common Share	<b>7.95</b>	9.49	<b>9.06</b>	9.51	9.81	8.98	10.16
Common Shares Outstanding	<b>23,344,422</b>	21,131,622	<b>21,131,622</b>	21,000,160	21,000,160	21,000,160	21,039,242
Weighted Common Shares Outstanding Basic and Diluted	<b>23,363,952</b>	21,123,202	<b>21,066,844</b>	21,000,160	21,000,160	21,011,123	21,039,242

**Senior Securities  
Data:**

Borrowings under Credit Facility, at cost <sup>(B)</sup>	\$ <b>73,300</b>	\$ 104,600	\$ <b>127,300</b>	\$ 36,700	\$ 46,900	\$ 58,800	\$ 99,400
Mandatorily redeemable preferred stock <sup>(B)</sup>	<b>61,000</b>	61,000	<b>61,000</b>	61,000	38,497	38,497	

**Other Unaudited  
Data:**

Number of Portfolio Companies at Year End	<b>43</b>	46	<b>48</b>	45	47	50	59
Average Size of Portfolio Company Investment at Cost	\$ <b>8,984</b>	\$ 8,719	\$ <b>8,547</b>	\$ 7,762	\$ 7,069	\$ 7,300	\$ 6,488
Principal Amount of New Investments	<b>54,300</b>	65,348	<b>102,299</b>	81,731	80,418	45,050	110,903
Proceeds from Loan Repayments and Investments Sold	<b>98,425</b>	28,601	<b>40,273</b>	72,560	117,048	73,857	50,002
Weighted Average Yield on Investments <sup>(C)</sup>	<b>11.1%</b>	10.8%	<b>10.9%</b>	11.5%	11.6%	11.3%	11.2%

Total Return <sup>(D)</sup>	<b>(3.04)</b>	(5.40)	<b>2.40</b>	9.62	9.90	41.39	(33.77)
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- (A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.
- (B) See *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding our level of indebtedness.
- (C) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year or fiscal period as noted.
- (D) 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 our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* to our consolidated financial statements included elsewhere in this prospectus supplement.

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Table of Contents**SELECTED QUARTERLY FINANCIAL DATA**

The following tables set forth certain quarterly financial information for each of the eight quarters in the two fiscal years ended September 30, 2015 and September 30, 2014 and the first three quarters of the fiscal year ending September 30, 2016. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the entire fiscal year or for any future quarter.

	<b>Year ending September 30, 2016</b>		
	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>
	<b>December 31, 2015</b>	<b>March 31, 2016</b>	<b>June 30, 2016</b>
	<b>(in thousands, except per share data)</b>		
Total investment income	\$ 10,060	\$ 9,456	\$ 9,844
Net investment income	4,759	4,917	4,907
Net increase (decrease) in net assets resulting from operations	(8,704)	(6,139)	5,516
Net increase (decrease) in net assets resulting from operations per weighted average common share (basic and diluted)	\$ (0.38)	\$ (0.26)	\$ 0.24

	<b>Year Ended September 30, 2015</b>			
	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>
	<b>December 31, 2014</b>	<b>March 31, 2015</b>	<b>June 30, 2015</b>	<b>September 30, 2015</b>
	<b>(in thousands, except per share data)</b>			
Total investment income	\$ 8,726	\$ 9,223	\$ 9,935	\$ 10,174
Net investment income	3,691	3,693	4,836	5,480
Net increase (decrease) in net assets resulting from operations	331	9,542	3,307	(4,696)
Net increase (decrease) in net assets resulting from operations per weighted average common share (basic and diluted)	\$ 0.02	\$ 0.45	\$ 0.16	\$ (0.22)

	<b>Year Ended September 30, 2014</b>			
	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>	<b>Quarter Ended</b>
	<b>December 31, 2013</b>	<b>March 31, 2014</b>	<b>June 30, 2014</b>	<b>September 30, 2014</b>
	<b>(in thousands, except per share data)</b>			
Total investment income	\$ 8,392	\$ 9,331	\$ 10,180	\$ 8,682
Net investment income	4,410	4,485	5,063	4,410
Net increase (decrease) in net assets resulting from operations	10,506	(2,102)	(20,175)	23,004
Net increase (decrease) in net assets resulting from operations per weighted average common share	\$ 0.50	\$ (0.10)	\$ (0.96)	\$ 1.09

(basic and diluted)

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

*You should read the following analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and in the accompanying prospectus. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition, results of operations or percentage relationships for any future periods. Except per share amounts, dollar amounts in the tables included herein are in thousands unless otherwise indicated.*

**OVERVIEW**

**General**

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We were established for the purpose of investing in debt and equity securities of established private businesses in the U.S. 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 the Internal Revenue Code of 1986, as amended (the "Code" ). As a BDC and RIC, we are subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

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 primary 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 intend for our investment portfolio to consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of June 30, 2016, our investment portfolio was made up of approximately 90.2% debt investments and 9.8% equity investments, at cost.

We focus on investing in small and medium-sized middle market private businesses 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 business, 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, to finance acquisitions, or recapitalize or refinance their existing debt facilities. We typically 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 or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

In July 2012, the SEC granted us an exemptive order that expanded our ability, under certain circumstances, to co-invest with Gladstone Investment Corporation ( "Gladstone Investment" ) and any future BDC or closed-end



management investment company that is advised (or sub-advised if it controls the fund) by the Adviser or any combination of the foregoing subject to the conditions in the SEC's order. We believe this has enhanced and will continue to enhance our ability to further our investment objectives and strategies.

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

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

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

## **Business**

### ***Portfolio and Investment Activity***

During the nine months ended June 30, 2016, we invested \$54.3 million in five new portfolio companies and extended \$5.6 million of investments to existing portfolio companies. In addition, during the nine months ended June 30, 2016, we exited 10 portfolio companies through sales and early payoffs. We received a total of \$98.4 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as existing portfolio companies during the nine months ended June 30, 2016. This activity resulted in a net reduction in our overall portfolio of five portfolio companies to 43 and a net decrease of 5.8% in our portfolio at cost since September 30, 2015. Our continued focus throughout 2016 will be to rebuild our investment portfolio by making new investments and to exit challenged and non-strategic investments in our portfolio in an orderly manner over the next several quarters. Since our initial public offering in August 2001, we have made 423 different loans to, or investments in, 201 companies for a total of approximately \$1.5 billion, before giving effect to principal repayments on investments and divestitures.

During the nine months ended June 30, 2016, the following significant transactions occurred:

In October 2015, Allison Publications, LLC paid off at par for proceeds of \$8.2 million.

In October 2015, we sold our investment in Funko, LLC ( *Funko* ), which resulted in dividend and prepayment fee income of \$0.3 million and a realized gain of \$16.9 million. In connection with the sale, we received net cash proceeds of \$15.3 million, full repayment of our debt investment of \$9.5 million, receivables of \$3.1 million, recorded within other assets, net on the accompanying *Consolidated Statement of Assets and Liabilities*, and a continuing preferred and common equity investment in Funko Acquisition Holdings, LLC, with a combined cost basis and fair value of \$0.3 million at the close of the transaction. Additionally, we recorded a tax liability for the net unrealized built-in gain of \$9.8 million that was realized upon the sale, of which \$6.3 million has been subsequently paid. The remaining tax liability of \$3.5 million is included within other liabilities on the accompanying *Consolidated Statement of Assets and Liabilities* as

of June 30, 2016.

In October 2015, Ameriqua Group, LLC paid off at par for proceeds of \$7.4 million.

In October 2015, we sold our investment in First American Payment Systems, L.P. for net proceeds of \$4.0 million, which resulted in a net realized loss of \$0.2 million.

In November 2015, we restructured our investment in Legend Communications of Wyoming, LLC ( Legend ) resulting in a \$2.7 million pay down on the existing loan and a new \$3.8 million investment in Drumcree, LLC, which is listed separately on the accompanying *Consolidated Statement of Investments* as of December 31, 2015. In March 2016, Legend paid off at par for proceeds of \$4.0 million.

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In December 2015, we sold our investment in Heartland Communications Group ( Heartland ) for net proceeds of \$1.5 million, which resulted in a realized loss of \$2.4 million. Heartland was on non-accrual status at the time of the sale.

In January 2016, we invested \$8.5 million in LCR Contractors, Inc. through secured first lien debt.

In February 2016, our investment in Targus Group International, Inc. ( Targus ) was restructured, which resulted in a realized loss of \$5.5 million and a new investment in Targus Cayman HoldCo Limited, which is listed on the accompanying *Consolidated Statement of Investments* as of June 30, 2016.

In March 2016, we invested \$10.0 million in Travel Sentry, Inc. through secured first lien debt.

In March 2016, J. America paid off at par for proceeds of \$5.1 million.

In April 2016, we received net proceeds of \$8.0 million related to the sale of Ashland Acquisition LLC, which resulted in a realized gain of approximately \$0.1 million.

In May 2016, we invested \$2.0 million in Netsmart Technologies, Inc. through secured second lien debt.

In June 2016, we invested \$30.0 million in IA Tech, LLC through secured first lien debt.

In June 2016, Vision Solutions, Inc. paid off at par for proceeds of \$8.0 million.

In June 2016, GTCR Valor Companies, Inc. paid off at par for proceeds of \$3.0 million.

Refer to Note 13 *Subsequent Events* in the accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for portfolio activity occurring subsequent to June 30, 2016.

## ***Capital Raising***

We issued shares of our common stock in an overnight offering in October 2015 with the over-allotment closing in November 2015 at a public offering price of \$8.55 per share, which was below the then current net asset value ( NAV ) of \$9.06 per share. The resulting proceeds, in part, provided us with additional equity capital to help ensure continued compliance with regulatory tests and will allow us to grow the portfolio and generate additional income through new investments. Refer to *Liquidity and Capital Resources* *Equity* *Common Stock* for further discussion of our common stock offerings.

Although we were able to access the capital markets over the last year, uncertain market conditions continue to affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. The current volatility in the credit market and the uncertainty surrounding the U.S. economy have led to

significant stock market fluctuations, particularly with respect to the stock of financial services companies like ours. During times of increased price volatility, our common stock may be more likely to continue to trade at a price below our NAV per share, which is not uncommon for BDCs like us.

On August 2, 2016, the closing market price of our common stock was \$7.91, a 0.5% discount to our June 30, 2016 NAV per share of \$7.95. When our stock trades below NAV per common share, as it has consistently traded over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 11, 2016, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our board of directors (our Board of Directors ) makes certain determinations prior to any such sale.

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***Regulatory Compliance***

Challenges in the current market are intensified for us by certain regulatory limitations under the Code and the 1940 Act that may further constrain our ability to access the capital markets. To qualify to be taxed as a RIC, we must distribute on an annual basis at least 90.0% of our investment company taxable income, which is generally our net ordinary income plus the excess of our net short-term capital gains over net long-term capital losses. 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 that require us to have an asset coverage ratio (as defined in Section 18 of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock.

We expect that, given these regulatory and contractual constraints in combination with current market conditions, the debt and equity capital available may be limited in the near term. However, we believe that the recent amendments to our Credit Facility to decrease the interest rate on advances and extend its revolving period end date until 2019, and our syndication and expansion of our Credit Facility in June 2015 has increased our ability to make investments in middle market businesses that we believe will help us achieve attractive long-term returns for our stockholders.

**Recent Developments**

***Registration Statement***

We filed a universal shelf registration statement (our Registration Statement ) on Form N-2 (File No. 333-208637) with the SEC on December 18, 2015, and subsequently filed Pre-Effective Amendment No. 1 on March 17, 2016 and Pre-Effective Amendment No. 2 on March 29, 2016, which the SEC declared effective on March 29, 2016. Our Registration Statement registered an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. No securities have been issued under the registration statement as of June 30, 2016.

***Common Stock Share Repurchase Program***

In January 2016, our Board of Directors authorized a share repurchase program for up to an aggregate of \$7.5 million of the Company's common stock. The repurchases are intended to be implemented through open market transactions on U.S. exchanges or in privately negotiated transactions, in accordance with applicable securities laws, and any market purchases will be made during open trading window periods or pursuant to any applicable Rule 10b5-1 trading plans. The timing, prices, and amounts of repurchases will depend upon prevailing market prices, general economic and market conditions and other considerations. The repurchase program does not obligate us to acquire any particular number of shares of common stock. The termination date is the earlier of repurchasing the total authorized amount of \$7.5 million or January 31, 2017. During the three months ended June 30, 2016, we repurchased 41,414 shares of our common stock at an average share price of \$6.95, resulting in gross purchases of \$0.3 million. During the nine months ended June 30, 2016, we repurchased 87,200 shares of our common stock at an average share price of \$6.53, resulting in gross purchases of \$0.6 million.

**Table of Contents****RESULTS OF OPERATIONS****Comparison of the Three Months Ended June 30, 2016, to the Three Months Ended June 30, 2015**

	<b>Three Months Ended June 30,</b>			
	<b>2016</b>	<b>2015</b>	<b>\$ Change</b>	<b>% Change</b>
<b>INVESTMENT INCOME</b>				
Interest income, net	<b>\$ 8,253</b>	\$ 9,107	\$ (854)	(9.4)%
Other income	<b>1,591</b>	828	763	92.1
Total investment income	<b>9,844</b>	9,935	(91)	(0.9)
<b>EXPENSES</b>				
Base management fee	<b>1,369</b>	1,859	(490)	(26.4)
Loan servicing fee	<b>896</b>	1,015	(119)	(11.7)
Incentive fee	<b>1,187</b>	1,021	166	16.3
Administration fee	<b>287</b>	235	52	22.1
Interest expense on borrowings	<b>648</b>	1,033	(385)	(37.3)
Dividend expense on mandatorily redeemable preferred stock	<b>1,029</b>	1,029		
Amortization of deferred financing fees	<b>273</b>	253	20	7.9
Other expenses	<b>640</b>	537	103	19.2
Expenses, before credits from Adviser	<b>6,329</b>	6,982	(653)	(9.4)
Credit to base management fee loan servicing fee	<b>(896)</b>	(1,015)	119	11.7
Credits to fees from Adviser other	<b>(496)</b>	(868)	372	42.9
Total expenses, net of credits	<b>4,937</b>	5,099	(162)	(3.2)
<b>NET INVESTMENT INCOME</b>	<b>4,907</b>	4,836	71	1.5
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>				
Net realized loss on investments	<b>(84)</b>	(1,143)	1,059	92.7
Net realized gain on other		68	(68)	(100.0)
Net unrealized appreciation (depreciation) of investments	<b>693</b>	(1,147)	1,840	NM
Net unrealized depreciation of other		693	(693)	(100.0)
Net gain (loss) from investments and other	<b>609</b>	(1,529)	2,138	NM
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 5,516</b>	\$ 3,307	\$ 2,209	66.8%

*NM = Not Meaningful*

***Investment Income***

Total investment income decreased slightly by 0.9% for the three months ended June 30, 2016, as compared to the prior year period. This decrease was primarily due to a decrease in interest income, which resulted from a decrease in

the size of our interest-bearing portfolio for the three months ended June 30, 2016 as compared to the prior year period, partially offset by an increase in other income.

Interest income, net decreased by 9.4% for the three months ended June 30, 2016, as compared to the prior year period. The level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2016, was \$303.6 million, compared to \$330.6 million for the prior year period, a decrease of 8.2%. This decrease was due primarily to exits that occurred during the first quarter of fiscal year 2016. The weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on

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interest-bearing investments which decreased to 10.9% for the three months ended June 30, 2016, compared to 11.1% for the three months ended June 30, 2015, inclusive of any allowances on interest receivables made during those periods.

As of June 30, 2016, two portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately \$26.5 million, or 7.5% of the cost basis of all debt investments in our portfolio. As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately \$49.2 million, or 13.4%, of the cost basis of all debt investments in our portfolio.

For the three months ended June 30, 2016, other income increased by 92.1% as compared to the prior year period. For the three months ended June 30, 2016, other income consisted primarily of \$1.5 million in success fees recognized and \$0.1 million in prepayment fees received. Other income for the three months ended June 30, 2015, consisted primarily of \$0.5 million in dividend income received and \$0.3 million in success fees recognized.

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

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

Company	As of June 30, 2015		Three Months Ended June 30, 2015	
	Fair Value	% of Portfolio	Investment Income	% of Total Income
Funko, LLC <sup>(B)</sup>	\$ 31,221	9.0%	\$ 444	4.5%
RBC Acquisition Group	22,416	6.5	633	6.4
WadeCo Specialties, Inc.	22,173	6.4	527	5.3
Francis Drilling Fluids, Ltd.	21,708	6.2	617	6.2
United Flexible, Inc. <sup>(A)</sup>	21,335	6.1	487	4.9
<b>Subtotal five largest investments</b>	<b>118,853</b>	<b>34.2</b>	<b>2,708</b>	<b>27.3</b>
Other portfolio companies	228,363	65.8	7,226	72.7

Other non-portfolio company  
revenue

<b>Total Investment Portfolio</b>	<b>\$ 347,216</b>	<b>100.0%</b>	<b>\$ 9,935</b>	<b>100.0%</b>
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- (A) New investment during the applicable period.  
(B) Investment exited subsequent to June 30, 2015.

***Expenses***

Expenses, net of any voluntary, irrevocable and non-contractual credits to fees from the Adviser, decreased by 3.2% for the three months ended June 30, 2016, as compared to the prior year period. This decrease was primarily due to a decrease in interest expense on borrowings and a decrease in net base management fees, partially offset by an increase in net incentive fee and other expenses.

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Interest expense on borrowings decreased by \$0.4 million, or 37.3%, during the three months ended June 30, 2016, as compared to the prior year period, due primarily to a decrease in the borrowings outstanding under our Credit Facility during the period due to the sales and payoffs discussed above. The weighted average balance outstanding under our Credit Facility during the three months ended June 30, 2016, was \$52.5 million, as compared to \$109.8 million in the prior year period, a decrease of 52.2%.

Net base management fee earned by the Adviser decreased by \$0.7 million, or 14.3%, during the three months ended June 30, 2016, as compared to the prior year period, resulting from a decrease in the average total assets outstanding. Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit of \$0.2 million from the Adviser to reduce the income-based incentive fee to the extent net investment income for the quarter ended June 30, 2016 did not cover 100.0% of the distributions to common stockholders during the period. The credit granted for the quarter ended June 30, 2015, was \$0.8 million.

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

	<b>Three Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Average total assets subject to base management fee <sup>(A)</sup>	<b>\$ 312,914</b>	<b>\$ 371,800</b>
Multiplied by prorated annual base management fee of 1.75% 2.0%	<b>0.4375%</b>	<b>0.5%</b>
<b>Base management fee<sup>(B)</sup></b>	<b>\$ 1,369</b>	<b>\$ 1,859</b>
Portfolio company fee credit	<b>(319)</b>	<b>(73)</b>
Senior syndicated loan fee credit	<b>(17)</b>	<b>(41)</b>
<b>Net Base Management Fee</b>	<b>\$ 1,033</b>	<b>\$ 1,745</b>
<b>Loan servicing fee<sup>(B)</sup></b>	<b>896</b>	<b>1,015</b>
Credit to base management fee loan servicing fee <sup>(B)</sup>	<b>(896)</b>	<b>(1,015)</b>
<b>Net Loan Servicing Fee</b>	<b>\$</b>	<b>\$</b>
<b>Incentive fee<sup>(B)</sup></b>	<b>1,187</b>	<b>1,021</b>
Incentive fee credit	<b>(160)</b>	<b>(754)</b>
<b>Net Incentive Fee</b>	<b>\$ 1,027</b>	<b>\$ 267</b>
Portfolio company fee credit	<b>(319)</b>	<b>(73)</b>
Senior syndicated loan fee credit	<b>(17)</b>	<b>(41)</b>
Incentive fee credit	<b>(160)</b>	<b>(754)</b>
<b>Credits to Fees From Adviser other<sup>(B)</sup></b>	<b>\$ (496)</b>	<b>\$ (868)</b>

- (A) Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.
- (B) Reflected, on a gross basis, as a line item on our *Consolidated Statements of Operations* included elsewhere in this prospectus supplement.

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**Table of Contents*****Net Realized and Unrealized Gain (Loss)*****Net Realized Gain (Loss) on Investments**

We had no significant realized gains (losses) on investments for the three months ended June 30, 2016. For the three months ended June 30, 2015, we recorded a net realized loss on investments of \$1.1 million, which resulted primarily from the exit of our investment in Sunburst during the three months ended June 30, 2015.

**Net Unrealized Appreciation (Depreciation) of Investments**

During the three months ended June 30, 2016, we recorded net unrealized appreciation of investments of \$0.7 million. The realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2016, were as follows:

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

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



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The net realized gains (losses) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2015, were as follows:

Portfolio Company	Three Months Ended June 30, 2015			
	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Funko, LLC	\$	\$ 6,213	\$	\$ 6,213
Sunburst Media Louisiana, LLC	(1,333)		2,295	962
Francis Drilling Fluids, Ltd.		735		735
Ameriquel Group, LLC		727		727
Southern Petroleum Laboratories, Inc.		661		661
Precision Acquisition Group Holdings, Inc.		461		461
WadeCo Specialties, Inc.		458		458
Sunshine Media Holdings		332		332
LWO Acquisitions Company LLC		311		311
AG Transportation Holdings, LLC		301		301
Behrens Manufacturing, LLC		294		294
Vertellus Specialties, Inc.		254		254
PLATO Learning, Inc.		(301)		(301)
Leeds Novamark Capital I, L.P.		(309)		(309)
FedCap Partners, LLC		(350)		(350)
SourceHOV LLC		(407)		(407)
GFRC Holdings, LLC		(425)		(425)
Meridian Rack & Pinion, Inc.		(531)		(531)
Alloy Die Casting Co.		(583)		(583)
Saunders & Associates		(1,036)		(1,036)
Edge Adhesive Holdings, Inc.		(1,409)		(1,409)
Defiance Integrated Technologies, Inc.		(1,491)		(1,491)
B+T Group Acquisition Inc.		(1,992)		(1,992)
RBC Acquisition Corp.		(5,867)		(5,867)
Other, net (<\$250)	258	651	(139)	770
<b>Total:</b>	<b>\$ (1,075)</b>	<b>\$ (3,303)</b>	<b>\$ 2,156</b>	<b>\$ (2,222)</b>

The largest driver of our net unrealized depreciation for the three months ended June 30, 2015, excluding reversals, was a decline in financial and operational performance on several portfolio companies, most notably RBC Acquisition Corp. ( RBC ) of \$5.9 million. This depreciation was partially offset by the improvement in financial and operational performance and the increase in comparable multiples used in the valuation of Funko of \$6.2 million.

**Net Unrealized Depreciation of Other**

During the three months ended June 30, 2015, we recorded \$0.7 million of net unrealized depreciation on our Credit Facility recorded at fair value whereas no such amounts were incurred in the current period.

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**Table of Contents****Comparison of the Nine Months Ended June 30, 2016, to the Nine Months Ended June 30, 2015**

	For the Nine Months Ended June 30,			
	2016	2015	\$ Change	% Change
<b>INVESTMENT INCOME</b>				
Interest income, net	\$ 26,107	\$ 25,495	\$ 612	2.4%
Other income	3,255	2,389	866	36.2
Total investment income	29,362	27,884	1,478	5.3
<b>EXPENSES</b>				
Base management fee	4,258	5,257	(999)	(19.0)
Loan servicing fee	2,876	2,802	74	2.6
Incentive fee	3,369	2,866	503	17.6
Administration fee	900	784	116	14.8
Interest expense on borrowings	2,066	2,735	(669)	(24.5)
Dividend expense on mandatorily redeemable preferred stock	3,088	3,087	1	0.0
Amortization of deferred financing fees	802	857	(55)	(6.4)
Other expenses	2,031	1,792	239	13.3
Expenses, before credits from Adviser	19,390	20,180	(790)	(3.9)
Credits to base management fee    loan servicing fee	(2,876)	(2,802)	(74)	2.6
Credits to fees from Adviser    other	(1,736)	(1,714)	(22)	1.3
Total expenses, net of credits	14,778	15,664	(886)	(5.7)
<b>NET INVESTMENT INCOME</b>	<b>14,584</b>	<b>12,220</b>	<b>2,364</b>	<b>19.3</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>				
Net realized gain (loss) on investments	9,837	(14,024)	23,861	NM
Net realized loss on other	(64)	(491)	427	87.0
Net unrealized (depreciation) appreciation of investments	(33,747)	14,162	(47,909)	NM
Net unrealized depreciation of other	62	1,313	(1,251)	(95.3)
Net (loss) gain from investments and other	(23,912)	960	(24,872)	(2,591)
<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (9,328)</b>	<b>\$ 13,180</b>	<b>\$ (22,508)</b>	<b>(171)%</b>

NM = Not Meaningful

**Investment Income**

Total investment income increased by 5.3% for the nine months ended June 30, 2016, as compared to the prior year period driven by increases in other income and interest income.

Interest income, net increased by 2.4% for the nine months ended June 30, 2016, as compared to the prior year period. The increase in interest income was primarily driven by a reserve recorded on certain interest receivables totaling \$0.9 million during the prior year period, which reduced interest income for the nine months ended June 30, 2015. There was no reserve recorded during the nine months ended June 30, 2016. The weighted average principal balance of our interest-bearing investment portfolio was relatively flat when comparing the current and prior year period at \$313.5 million during the nine months ended June 30, 2016, compared to \$315.8 million for the prior year period. The weighted average yield on our interest-bearing investment portfolio increased to 11.1% for the nine months ended June 30, 2016, compared to 10.8% for the nine months ended June 30, 2015, inclusive of any allowances on interest receivables made during those periods.

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Other income increased by 36.2% during the nine months ended June 30, 2016, as compared to the prior year period. For the nine months ended June 30, 2016, other income consisted primarily of \$2.8 million in success fees recognized, \$0.3 million in dividend income received, and \$0.2 million in prepayment fees received. For the nine months ended June 30, 2015, other income consisted primarily of \$1.7 million in success fees recognized and \$0.6 million in dividend income.

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

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

Company	As of June 30, 2015		Nine Months Ended June 30, 2015	
	Fair Value	% of Portfolio	Investment Income	% of Total Income
Funko, LLC <sup>(B)</sup>	\$ 31,221	9.0%	\$ 914	3.3%
RBC Acquisition Group	22,416	6.5	1,543	5.5
WadeCo Specialties, Inc.	22,173	6.4	1,368	4.9
Francis Drilling Fluids, Ltd.	21,708	6.2	2,301	8.3
United Flexible, Inc. <sup>(A)</sup>	21,335	6.1	749	2.7
<b>Subtotal five largest investments</b>	<b>118,853</b>	<b>34.2</b>	<b>6,875</b>	<b>24.7</b>
Other portfolio companies	228,363	65.8	21,005	75.3
Other non-portfolio company revenue			4	
<b>Total Investment Portfolio</b>	<b>\$ 347,216</b>	<b>100.0%</b>	<b>\$ 27,884</b>	<b>100.0%</b>

<sup>(A)</sup> New investment during the applicable period.

<sup>(B)</sup> Investment exited subsequent to June 30, 2015.

***Expenses***

Expenses, net of any voluntary, irrevocable and non-contractual credits to fees from the Adviser, decreased for the nine months ended June 30, 2016, by 5.7%, as compared to the prior year period. This decrease was primarily due to a decrease in interest expense on borrowings and a decrease in net base management fee, partially offset by an increase in net incentive fee and an increase in other expenses.

Interest expense decreased by \$0.7 million, or 24.5%, during the nine months ended June 30, 2016, as compared to the prior year period, primarily due to decreased borrowings outstanding throughout the period on our Credit Facility. The weighted average balance outstanding under our Credit Facility during the nine months ended June 30, 2016, was approximately \$59.8 million, as compared to \$84.7 million in the prior year period, a decrease of 29.4%.

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Net base management fee earned by the Adviser decreased by \$0.7 million, or 15.5%, during the nine months ended June 30, 2016, as compared to the prior year period, resulting from a decrease in the average total assets outstanding. Our Board of Directors accepted unconditional, non-contractual and irrevocable voluntary credits totaling \$1.1 million from the Adviser to reduce the income-based incentive fee to the extent that net investment income did not cover 100.0% of the distributions to common stockholders during the nine months ended June 30, 2016. The credits granted during the nine months ended June 30, 2015 totaled \$0.8 million. Base management, loan servicing and incentive fees and associated unconditional, non-contractual, and irrevocable voluntary credits are computed quarterly, as described under *Investment Advisory and Management Agreement* in Note 4 *Related Party Transactions* of the notes accompanying our *Consolidated Financial Statements* included elsewhere in this prospectus supplement and are summarized in the following table:

	<b>Nine Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Average total assets subject to base management fee <sup>(A)</sup>	<b>\$ 324,419</b>	\$ 350,450
Multiplied by prorated annual base management fee of 1.75-2.0%	<b>1.3125%</b>	1.5%
<b>Base management fee<sup>(B)</sup></b>	<b>\$ 4,258</b>	\$ 5,257
Portfolio company fee credit	<b>(553)</b>	(840)
Senior syndicated loan fee credit	<b>(73)</b>	(120)
<b>Net Base Management Fee</b>	<b>\$ 3,632</b>	\$ 4,297
<b>Loan servicing fee<sup>(B)</sup></b>	<b>2,876</b>	2,802
Credits to base management fee loan servicing fee <sup>(B)</sup>	<b>(2,876)</b>	(2,802)
<b>Net Loan Servicing Fee</b>	<b>\$</b>	\$
<b>Incentive fee<sup>(B)</sup></b>	<b>3,369</b>	2,866
Incentive fee credit	<b>(1,110)</b>	(754)
<b>Net Incentive Fee</b>	<b>\$ 2,259</b>	\$ 2,112
Portfolio company fee credit	<b>(553)</b>	(840)
Senior syndicated loan fee credit	<b>(73)</b>	(120)
Incentive fee credit	<b>(1,110)</b>	(754)
<b>Credit to Fees From Adviser other<sup>(B)</sup></b>	<b>\$ (1,736)</b>	\$ (1,714)

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

(B)

Reflected, on a gross basis, as a line item on our *Consolidated Statements of Operations* included elsewhere in this prospectus supplement.

***Net Realized and Unrealized Gain (Loss)***

**Net Realized Gain (Loss) on Investments**

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

For the nine months ended June 30, 2015, we recorded a net realized loss on investments of \$14.5 million, which primarily consisted of realized losses of \$15.8 million resulting from the sales of Midwest Metal and Sunburst Media-Louisiana, LLC ( Sunburst ) during the period. This was partially offset by a realized gain of \$1.6 million related to the early payoff of North American Aircraft Services, LLC ( NAAS ).

**Table of Contents****Net Unrealized Appreciation (Depreciation) of Investments**

During the nine months ended June 30, 2016, we recorded net unrealized depreciation of investments of \$33.7 million. The net realized gain (losses) and unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2016, were as follows:

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

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

was partially offset by the unrealized appreciation resulting from an increase in performance on certain portfolio companies, most notably Behrens Manufacturing, LLC of \$2.9 million and the reversal of \$4.1 million of previously recorded unrealized depreciation on our investment in Targus upon restructure.

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The net realized gain (losses) and unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2015, were as follows:

Portfolio Company	Nine Months Ended June 30, 2015			
	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Funko, LLC	\$	\$ 15,858	\$	\$ 15,858
Precision Acquisition Group Holdings, Inc.		3,392		3,392
Sunburst Media Louisiana, LLC	(1,333)	2,130	2,295	3,092
Ameriquel Group, LLC		708		708
Behrens Manufacturing, LLC		608		608
Midwest Metal Distribution, Inc.	(14,980)		15,578	598
Southern Petroleum Laboratories, Inc.		501		501
Sunshine Media Holdings		421		421
Ashland Acquisitions, LLC		405		405
AG Transportation Holdings, LLC		395		395
Westland Technologies, Inc.		385		385
Heartland Communications Group		347		347
Defiance Integrated Technologies, Inc.		(355)		(355)
SourceHOV LLC		(416)		(416)
FedCap Partners, LLC		(507)		(507)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
WadeCo. Specialties, Inc.		(649)		(649)
Targus Group International, Inc.		(702)		(702)
Meridian Rack & Pinion, Inc.		(759)		(759)
Francis Drilling Fluids, Ltd.		(795)		(795)
B+T Group Acquisition Inc.		(1,828)		(1,828)
Edge Adhesives Holdings, Inc.		(2,170)		(2,170)
Saunders & Associates		(3,255)		(3,255)
PLATO Learning, Inc.		(3,558)		(3,558)
GFRC Holdings, LLC		(5,308)		(5,308)
RBC Acquisition Corp.		(5,867)		(5,867)
Other, net (<\$250)	220	(337)	(139)	(256)
<b>Total:</b>	<b>\$ (14,515)</b>	<b>\$ (1,356)</b>	<b>\$ 15,518</b>	<b>\$ (353)</b>

The largest driver of our net unrealized depreciation (excluding reversals) for the nine months ended June 30, 2015, was due to incremental declines in the financial and operational performance of certain portfolio companies, most notably RBC of \$5.9 million, GFRC Holdings, LLC ( GFRC ) of \$5.3 million, Plato Learning, Inc. of \$3.6 million and Saunders & Associates ( Saunders ) of \$3.3 million. Partially offsetting this net unrealized depreciation for the nine months ended June 30, 2015, was the unrealized appreciation of Funko of \$15.9 million due to improvements in financial and operation performance and the increase in comparable multiples used in the valuation.

**Net Realized Loss on Other**

During the nine months ended June 30, 2016, we recorded a net realized loss of \$0.1 million, due to the expiration of our interest rate cap agreement in January 2016. For the nine months ended June 30, 2015, we recorded a net realized loss on other of \$0.5 million resulting primarily from unearned escrows on the previous sale of Midwest Metal Distribution, Inc. ( Midwest Metal ) during the three months ended December 31, 2014.

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**Table of Contents****Net Unrealized Depreciation of Other**

During the nine months ended June 30, 2016, we reversed \$0.1 million of unrealized depreciation related to the expiration of our interest rate cap agreement in January 2016. During the nine months ended June 30, 2015, we recorded \$1.3 million of net unrealized depreciation on our Credit Facility recorded at fair value whereas no such amounts were incurred in the current period.

**Comparison of the Year Ended September 30, 2015 to the Year Ended September 30, 2014**

	For the Year Ended September 30,			
			\$	
	2015	2014	Change	% Change
<b>INVESTMENT INCOME</b>				
Interest income	\$ 34,895	\$ 32,170	\$ 2,725	8.5%
Other income	3,163	4,415	(1,252)	(28.4)
Total investment income	38,058	36,585	1,473	4.0
<b>EXPENSES</b>				
Base management fee	6,888	5,864	1,024	17.5
Loan servicing fee	3,816	3,503	313	8.9
Incentive fee	4,083	4,297	(214)	(5.0)
Administration fee	1,033	853	180	21.1
Interest expense on borrowings	3,828	2,628	1,200	45.7
Dividend expense on mandatorily redeemable preferred stock	4,116	3,338	778	23.3
Amortization of deferred financing fees	1,106	1,247	(141)	(11.3)
Other expenses	2,188	2,084	104	5.0
Expenses, before credits from Adviser	27,058	23,814	3,244	13.6
Credit to base management fee loan servicing fee	(3,816)	(3,503)	(313)	(8.9)
Credit to fees from Adviser other	(2,884)	(2,094)	(790)	(37.7)
Total expenses, net of credits	20,358	18,217	2,141	11.8
NET INVESTMENT INCOME	17,700	18,368	(668)	(3.6)
<b>NET REALIZED AND UNREALIZED (LOSS) GAIN</b>				
Net realized loss on investments and escrows	(34,176)	(12,113)	(22,063)	(182.1)
Net realized loss on extinguishment of debt		(1,297)	1,297	NM
Net unrealized appreciation of investments	23,647	7,389	16,258	220.0
Net unrealized depreciation (appreciation) of other	1,313	(1,114)	2,427	217.9
Net loss from investments, escrows and other	(9,216)	(7,135)	(2,081)	(29.2)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 8,484	\$ 11,233	\$ (2,749)	(24.5)%

PER BASIC AND DILUTED COMMON SHARE

Net investment income	\$	<b>0.84</b>	\$	0.87	\$	(0.03)	(25.2)%
Net increase in net assets resulting from operations	\$	<b>0.40</b>	\$	0.53	\$	(0.13)	(3.4)%

NM = Not Meaningful

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**Table of Contents*****Investment Income***

Total interest income increased by 8.5% for the year ended September 30, 2015, as compared to the prior year period. This increase was due primarily to the funding of several new investments during the period, partially offset by several early payoffs at par during the prior year. The level of interest income on our investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the year, multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the year ended September 30, 2015, was \$319.1 million, compared to \$280.4 million for the prior year, an increase of \$38.7 million, or 13.8%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments for the year ended

September 30, 2015 was 10.9% compared to 11.5% for the year ended September 30, 2014, inclusive of any allowances on interest receivables made during those periods.

As of September 30, 2015, two portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately \$26.4 million, or 7.1% of the cost basis of all debt investments in our portfolio. During the quarter ended December 31, 2014, we sold our investment in Midwest Metal, which had been on non-accrual status. Effective January 1, 2015, we placed GFRC on non-accrual status and restored two tranches of Sunshine Media Holdings ( Sunshine ) debt to accrual status and effective April 1, 2015, we placed Saunders on non-accrual status. During the quarter ended September 30, 2015, we sold our investment in Saunders which was on non-accrual and restructured our investment in GFRC and restored it to accrual status. As of September 30, 2014, three portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately \$51.4 million, or 16.1%, of the cost basis of all debt investments in our portfolio. Effective January 1, 2014, we placed Heartland on non-accrual status and effective June 1, 2014 we placed Midwest Metal on non-accrual status. During the quarter ended December 31, 2013, we sold our investment in LocalTel, LLC ( LocalTel ), which had been on non-accrual status. See *Overview Business Portfolio and Investment Activity* for more information.

For the year ended September 30, 2015, other income consisted primarily of \$0.6 million in success fees related to the early payoff of NAAS at a realized gain, \$0.8 million in success fees prepaid by Defiance, \$0.5 million in dividend income received from Funko, \$0.3 million in success fees prepaid by FDF, \$0.3 million in dividend income and prepaid success fees from Southern Petroleum Laboratories, Inc. ( SPL ), \$0.3 million in settlement fees received from Sunburst, \$0.2 million in dividend income received from FDF and \$0.2 million of success fees received related to our sale of substantially all of the assets in Lindmark Acquisition, LLC ( Lindmark ) in September 2013. For the year ended September 30, 2014, other income consisted primarily of \$0.7 million in dividend income received from FedCap Partners, LLC ( FedCap ), \$0.5 million in success fees received related to the early payoff of Thibaut Acquisition Co. ( Thibaut ) at par, \$0.4 million in legal settlement proceeds received related to a portfolio company previously sold, \$0.8 million in aggregate of prepaid success fees, dividend income and other fees received from FDF, \$0.1 million in prepayment fees received from Pop Radio, LLC ( POP ), an aggregate of \$0.3 million in prepayment fees from the early payoff of five syndicate investments at par and \$1.4 million in success fees received related to our sale of substantially all of the assets of Lindmark in 2013.

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

Portfolio Company	As of September 30, 2015		Year Ended September 30, 2015	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
Funko, LLC	\$ 26,814	7.3%	\$ 1,385	3.6%
WadeCo Specialties, Inc.	21,920	6.0	1,896	5.0
RBC Acquisition Corp.	20,617	5.6	2,343	6.2
United Flexible, Inc. <sup>(A)</sup>	20,355	5.6	1,226	3.2
Francis Drilling Fluids, Ltd.	19,928	5.5	2,946	7.7
<b>Subtotal five largest investments</b>	<b>109,634</b>	<b>30.0</b>	<b>9,796</b>	<b>25.7</b>
Other portfolio companies	256,257	70.0	28,257	74.3
Other non-portfolio company income			5	
<b>Total Investment Portfolio</b>	<b>\$ 365,891</b>	<b>100.0%</b>	<b>\$ 38,058</b>	<b>100.0%</b>

Portfolio Company	As of September 30, 2014		Year Ended September 30, 2014	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
RBC Acquisition Corp.	\$ 28,283	10.1%	\$ 2,879	7.9%
Francis Drilling Fluids, Ltd.	22,837	8.1	2,847	7.8
J. America, Inc. <sup>(A)</sup>	16,648	5.9	1,444	4.0
Funko, LLC	13,508	4.8	1,100	3.0
Defiance Integrated Technologies, Inc.	13,006	4.6	743	2.0
<b>Subtotal five largest investments</b>	<b>94,282</b>	<b>33.5</b>	<b>9,013</b>	<b>24.7</b>
Other portfolio companies	187,004	66.5	27,557	75.3
Other non-portfolio company income			15	
<b>Total Investment Portfolio</b>	<b>\$ 281,286</b>	<b>100.0%</b>	<b>\$ 36,585</b>	<b>100.0%</b>

<sup>(A)</sup> - New investment during applicable period.

**Expenses**

Expenses, net of credits from the Adviser, increased for the year ended September 30, 2015, by 11.8% as compared to the prior year. This increase was primarily due to increases in our net base management fees to the Advisor, interest expense on borrowings, and dividend expense on our mandatorily redeemable preferred stock, partially offset by a decrease in the net incentive fee to the Adviser.

Interest expense increased by \$1.2 million, or 45.7%, during the year ended September 30, 2015, as compared to the prior year, primarily due to increased borrowings outstanding throughout the period on our Credit Facility. The weighted average balance outstanding on our Credit Facility during the year ended September 30, 2015, was approximately \$92.5 million, as compared to \$41.9 million in the prior year period, an increase of 120.9%. This was partially offset by lower average borrowing rates on our Credit Facility. The weighted average borrowing rate during the year ended September 30, 2015, was approximately 4.1% compared to 6.3% in the prior year period, a decrease of 34.9%.

The increase of \$0.8 million, or 23.3%, in dividend expense on our mandatorily redeemable preferred stock during the year ended September 30, 2015, as compared to the prior year, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014, and

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which was partially offset by the voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our term preferred stock.

The increase of \$0.4 million in the net base management fee earned by the Adviser during the year ended September 30, 2015, as compared to the prior year, was due primarily to an increase in the average total assets outstanding as a result of the net growth in our investment portfolio during the period. This was partially offset by a decrease in the annual base management fee from 2.0% to 1.75% effective July 1, 2015. The base management, loan servicing and incentive fees and associated unconditional, non-contractual, and irrevocable voluntary credits are computed quarterly, as described under *Investment Advisory and Management Agreement* and *Loan Servicing Fee Pursuant to Credit Agreement* in Note 4 of the notes to our *Condensed Consolidated Financial Statements* in the accompanying prospectus and are summarized in the following table:

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Average total assets subject to base management fee <sup>(A)</sup>	\$ 355,510	\$ 293,200
Multiplied by annual base management fee of 1.75% 2.0%	1.75% - 2.0%	2.0%
<b>Base management fee<sup>(B)</sup></b>	<b>6,888</b>	<b>5,864</b>
Portfolio fee credit	(1,399)	(797)
Senior syndicated loan fee credit	(118)	(117)
<b>Net Base Management Fee</b>	<b>\$ 5,371</b>	<b>\$ 4,950</b>
<b>Loan servicing fee<sup>(B)</sup></b>	<b>\$ 3,816</b>	<b>\$ 3,503</b>
Credit to base management fee loan servicing fee <sup>(B)</sup>	(3,816)	(3,503)
<b>Net Loan Servicing Fee</b>	<b>\$</b>	<b>\$</b>
<b>Incentive fee<sup>(B)</sup></b>	<b>\$ 4,083</b>	<b>\$ 4,297</b>
Incentive fee credit	(1,367)	(1,180)
<b>Net Incentive Fee</b>	<b>\$ 2,716</b>	<b>\$ 3,117</b>
Portfolio fee credit	\$ (1,399)	\$ (797)
Senior syndicated loan fee credit	(118)	(117)
Incentive fee credit	(1,367)	(1,180)
<b>Credit to Fees from Adviser Other<sup>(B)</sup></b>	<b>\$ (2,884)</b>	<b>\$ (2,094)</b>

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



(B) Reflected, on a gross basis, as a line item on our Consolidated Statement of Operations contained in the accompanying prospectus.

***Realized Loss and Unrealized Appreciation***

**Net Realized Loss on Investments and Escrows**

For the year ended September 30, 2015, we recorded a net realized loss on investments and escrows of \$34.2 million, which resulted primarily from the sales of Midwest Metal, Sunburst, Saunders and the restructure of GFRC for a combined realized loss of \$34.1 million and net proceeds of \$7.1 million. This realized loss was partially offset by the realized gain of \$1.6 million we recognized on the early payoff of NAAS.

For the year ended September 30, 2014, we recorded a net realized loss on investments and escrows of \$12.1 million, which primarily consisted of realized losses of \$10.8 million due to our sale of LocalTel for proceeds

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contingent on an earn-out and \$2.8 million due to our sale of BAS Broadcasting ( BAS ) for net proceeds of \$4.7 million. Partially offsetting these realized losses, was the realized gain of \$1.0 million we recognized on the exit of WP Evenflo Group Holdings, Inc. ( WP Evenflo ).

**Net Unrealized Appreciation of Investments**

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the year, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the year ended September 30, 2015, we recorded net unrealized appreciation of investments in the aggregate amount of \$23.6 million, which included the reversal of an aggregate of \$34.6 million in cumulative unrealized depreciation primarily related to the sales of Midwest Metal, Sunburst, Saunders and restructure of GFRC during the fiscal year. Excluding reversals, we recorded \$11.0 million in net unrealized depreciation for the year ended September 30, 2015. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the year ended September 30, 2015, consisted of approximately \$15.2 million of depreciation on our debt investments and approximately \$4.2 million of appreciation on our equity investments.

The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2015, were as follows:

Portfolio Company	Year Ended September 30, 2015			
	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Funko, LLC	\$	\$ 11,451	\$	\$ 11,451
Sunburst Media Louisiana, LLC	(1,333)	2,130	2,295	3,092
Precision Acquisition Group Holdings, Inc.		2,831		2,831
Sunshine Media Holdings		1,861		1,861
Heartland Communications Group		1,123		1,123
Behrens Manufacturing, LLC		1,102		1,102
Ameriquel Group, LLC		1,063		1,063
Westland Technologies, Inc.		899		899
Midwest Metal Distribution, Inc.	(14,980)		15,578	598
Ashland Acquisitions, LLC		571		571
AG Transportation Holdings, LLC		516		516
New Trident Holdcorp, Inc.		(282)		(282)
Vertellus Specialties Inc.		(315)		(315)
LWO Acquisitions		(390)		(390)
SourceHOV LLC		(473)		(473)
FedCap Partners, LLC		(507)		(507)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
WadeCo. Specialties, Inc.		(818)		(818)
Alloy Die Casting		(1,251)		(1,251)
Targus Group International, Inc.		(1,254)		(1,254)
Meridian Rack & Pinion, Inc.		(1,647)		(1,647)
B+T Group Acquisition Inc.		(1,934)		(1,934)

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Francis Drilling Fluids, Ltd.		(2,575)		(2,575)
PLATO Learning, Inc.		(2,663)		(2,663)
Edge Adhesives Holdings, Inc.		(3,196)	6	(3,190)
Saunders & Associates	(8,884)	(3,255)	8,680	(3,459)
GFRC Holdings, LLC	(10,797)	(5,308)	10,483	(5,622)
RBC Acquisition Corp.		(7,647)		(7,647)
Other, net (<\$250)	240	(985)	(226)	(971)
<b>Total:</b>	<b>\$ (34,176)</b>	<b>\$ (10,953)</b>	<b>\$ 34,600</b>	<b>\$ (10,529)</b>

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The largest driver of our net unrealized depreciation (excluding reversals) for the year ended September 30, 2015, were the decreases in comparable multiples used in valuations and a decline in the financial and operational performance of GFRC and RBC, resulting in \$5.6 million and \$7.6 million, respectively, of net unrealized depreciation during the year. Partially offsetting this net unrealized depreciation for the year ended September 30, 2015, was the net unrealized appreciation on Funko of \$11.5 million due to increases in comparable multiples used in valuations and incremental improvements in the financial and operational performance of these portfolio companies.

During the year ended September 30, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of \$7.4 million, which included the reversal of an aggregate of \$18.0 million in cumulative unrealized depreciation primarily related to the repayment of principal in full at par on International Junior Golf Training Acquisition Company ( Junior ) and the sales of BAS and LocalTel during the fiscal year. Excluding reversals, we recorded \$10.6 million in net unrealized depreciation for the year ended September 30, 2014. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the year ended September 30, 2014, consisted of approximately \$16.3 million of depreciation on our debt investments and approximately \$5.7 million of appreciation on our equity investments.

The net realized gain (loss) and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2014, were as follows:

Portfolio Company	Year Ended September 30, 2014			
	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Defiance Integrated Technologies, Inc.	\$	\$ 4,594	\$	\$ 4,594
BAS Broadcasting	(2,765)	187	6,905	4,327
Funko, LLC		4,162		4,162
Legend Communications of Wyoming, LLC		2,729		2,729
International Junior Golf Training Acquisition Company		(6)	2,261	2,255
Sunshine Media Holdings		1,955		1,955
North American Aircraft Services, LLC		1,755		1,755
Francis Drilling Fluids, Ltd.		1,186		1,186
WP Evenflo Group Holdings, Inc.	988	1,105	(1,002)	1,091
Sunburst Media Louisiana, LLC		974		974
Edge Adhesives Holdings, Inc.		579		579
Westland Technologies, Inc.		405		405
J. America, Inc.		(352)		(352)
LocalTel, LLC	(10,768)		10,218	(550)
Alloy Die Casting Co.		(643)		(643)
Lindmark Acquisition, LLC		(827)		(827)
FedCap Partners, LLC		(827)		(827)
Ameriquel Group, LLC		(838)		(838)
Saunders and Associates		(3,945)		(3,945)
Precision Acquisition Group Holdings, Inc.		(4,601)		(4,601)
RBC Acquisition Corp.		(5,330)		(5,330)

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Midwest Metal Distribution, Inc.		(12,892)		(12,892)
Other, net (<\$250)	432	43	(406)	69
<b>Total:</b>	<b>\$ (12,113)</b>	<b>\$ (10,587)</b>	<b>\$ 17,976</b>	<b>\$ (4,724)</b>

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The largest driver of our net unrealized depreciation (excluding reversals) for the year ended September 30, 2014, was the decreases in comparable multiples used in valuations and a decline in the financial and operational performance of Midwest Metal and RBC resulting in \$12.9 million and \$5.3 million, respectively, of net unrealized depreciation during the year. Partially offsetting this net unrealized depreciation for the year ended September 30, 2014, was the net unrealized appreciation on Defiance of \$4.6 million and on Funko of \$4.2 million due to increases in comparable multiples used in valuations and incremental improvements in the financial and operational performance of these portfolio companies.

As of September 30, 2015, the fair value of our investment portfolio was less than its cost basis by approximately \$44.4 million and our entire investment portfolio was valued at 89.2% of cost, as compared to cumulative net unrealized depreciation of \$68.0 million and a valuation of our entire portfolio at 80.5% of cost as of September 30, 2014. This decrease year over year in the cumulative unrealized depreciation on investments represents net unrealized appreciation of \$23.6 million for the year ended September 30, 2015. Of our current investment portfolio, 10 portfolio companies originated before December 31, 2008, which represented 25.8% of the entire cost basis of our portfolio, were valued at 60.0% of cost and included our two investments on non-accrual status. Our 38 portfolio companies that originated after December 31, 2008, representing 74.2% of the entire cost basis of our portfolio, were valued at 99.3% of cost and none of which were on non-accrual status.

The cumulative net unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution to stockholders.

***Net Unrealized (Appreciation) Depreciation of Other***

Net unrealized (appreciation) depreciation of other includes the net change in the fair value of our Credit Facility and our interest rate swap during the year, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. During the year ended September 30, 2015, we recorded a net unrealized depreciation of other of \$1.3 million, compared to a net unrealized appreciation of \$1.1 million for the year ended September 30, 2014. Our Credit Facility was fair valued at \$127.3 million and \$38.0 million as of September 30, 2015 and 2014, respectively. The interest rate swap was fair valued at \$0 as of September 30, 2015 and 2014.

**Comparison of the Year Ended September 30, 2014 to the Year Ended September 30, 2013**

	For the Year Ended September 30,			
	2014	2013	\$ Change	% Change
<b>INVESTMENT INCOME</b>				
Interest income	\$ 32,170	\$ 33,533	\$ (1,363)	(4.1)%
Other income	4,415	2,621	1,794	68.4
Total investment income	36,585	36,154	431	1.2
<b>EXPENSES</b>				
Base management fee	5,864	5,622	242	4.3
Loan servicing fee	3,503	3,656	(153)	(4.2)

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Incentive fee	<b>4,297</b>	4,343	(46)	(1.1)
Administration fee	<b>853</b>	647	206	31.8
Interest expense on borrowings	<b>2,628</b>	3,182	(554)	(17.4)
Dividend expense on mandatorily redeemable preferred stock	<b>3,338</b>	2,744	594	21.6
Amortization of deferred financing fees	<b>1,247</b>	1,211	36	3.0
Other expenses	<b>2,084</b>	1,540	544	35.3
Expenses, before credits from Adviser	<b>23,814</b>	22,945	869	3.8

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	For the Year Ended September 30,			
	2014	2013	\$ Change	% Change
Credit to base management fee loan servicing fee	(3,503)	(3,656)	153	4.2
Credit to fees from Adviser other	(2,094)	(1,521)	(573)	(37.7)
Total expenses, net of credits	18,217	17,768	449	2.5
NET INVESTMENT INCOME	18,368	18,386	(18)	(0.1)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized loss on investments and escrows	(12,113)	(5,231)	(6,882)	(131.6)
Net realized loss on extinguishment of debt	(1,297)		(1,297)	(100.0)
Net unrealized appreciation of investments	7,389	15,673	(8,284)	(52.9)
Net unrealized (appreciation) depreciation of other	(1,114)	3,391	(4,505)	NM
Net (loss) gain from investments, escrows and other	(7,135)	13,833	(20,968)	NM
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 11,233	\$ 32,219	\$ (20,986)	(65.1)%
PER BASIC AND DILUTED COMMON SHARE				
Net investment income	\$ 0.87	\$ 0.88	\$ (0.01)	(1.1)%
Net increase in net assets resulting from operations	\$ 0.53	\$ 1.53	\$ (1.00)	(65.4)%

NM = Not Meaningful

**Investment Income**

Total interest income decreased by 4.1% for the year ended September 30, 2014, as compared to the prior year period. This decrease was due primarily to the increase in early payoffs at par during the year, resulting in a lower weighted average principal balance of interest-bearing investments compared to the prior year, offset by new investments funding later in the current year. The level of interest income on our investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the year, multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the year ended September 30, 2014, was \$280.4 million, compared to \$287.3 million for the prior year, a decrease of \$6.9 million, or 2.4%. The weighted average yield on our interest-bearing investments is based on the current stated interest rate on interest-bearing investments and remained consistent year over year at 11.5% for the year ended September 30, 2014 and 11.6% for the year ended September 30, 2013.

As of September 30, 2014, three portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately \$51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio. As of September 30, 2013, two portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately \$39.5 million, or 12.6%, of the cost basis of all debt investments in our portfolio. Effective January 1, 2014, we placed Heartland on non-accrual status and effective June 1, 2014 we placed Midwest Metal on non-accrual status. During the year ended September 30, 2014, we sold our investment in LocalTel that had been on non-accrual status. During the year ended September 30, 2013, we sold our investments in three portfolio companies that had been on



non-accrual status and wrote off our investment in one portfolio company that had been on non-accrual status. There were no other new non-accruals added and no non-accruals were placed on accrual during the years ended September 30, 2014 and 2013.

Other income for the year ended September 30, 2014, consisted primarily of \$0.7 million in dividend income received from FedCap, \$0.5 million in success fees received related to the early payoff of Thibaut at par, \$0.4 million in legal settlement proceeds received related to a portfolio company previously sold, \$0.8 million in aggregate of prepaid success fees, dividend income and other fees received from FDF, \$0.1 million in

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prepayment fees received from POP, an aggregate of \$0.3 million in prepayment fees from the early payoff of five syndicate investments at par and \$1.4 million in success fees received related to our sale of substantially all of the assets of Lindmark and the ensuing pay down of our debt investments in Lindmark at par in September 2013. For the year ended September 30, 2013, other income consisted primarily of \$1.1 million in success fees received related to the early payoff of Westlake Hardware, Inc. ( Westlake ) at par, \$0.6 million in success fees related to the early payoff of CMI Acquisition, LLC ( CMI ) at par and an aggregate of \$0.9 million in prepayment fees from the early payoffs of eight of our syndicate investments at par during the prior year.

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

Portfolio Company	As of September 30, 2014		Year Ended September 30, 2014	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
RBC Acquisition Corp.	\$ 28,283	10.1%	\$ 2,879	7.9%
Francis Drilling Fluids, Ltd.	22,837	8.1	2,847	7.8
J. America, Inc. <sup>(A)</sup>	16,648	5.9	1,444	4.0
Funko, LLC	13,508	4.8	1,100	3.0
Defiance Integrated Technologies, Inc.	13,006	4.6	743	2.0
<b>Subtotal five largest investments</b>	<b>94,282</b>	<b>33.5</b>	<b>9,013</b>	<b>24.7</b>
Other portfolio companies	187,004	66.5	27,557	75.3
Other non-portfolio company income			15	
<b>Total Investment Portfolio</b>	<b>\$ 281,286</b>	<b>100.0%</b>	<b>\$ 36,585</b>	<b>100.0%</b>

Portfolio Company	As of September 30, 2013		Year Ended September 30, 2013	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
RBC Acquisition Corp.	\$ 30,991	12.1%	\$ 2,416	6.7%
Allen Edmonds Shoe Corporation <sup>(A)</sup>	19,604	7.6	1,717	4.8
Midwest Metal Distribution, Inc.	17,733	6.9	2,240	6.2
Francis Drilling Fluids, Ltd.	14,667	5.7	1,977	5.4
AG Transportation Holdings, LLC <sup>(A)</sup>	12,984	5.1	1,407	3.9
<b>Subtotal five largest investments</b>	<b>95,979</b>	<b>37.4</b>	<b>9,757</b>	<b>27.0</b>
Other portfolio companies	160,899	62.6	26,265	72.6
Other non-portfolio company income			132	0.4

<b>Total Investment Portfolio</b>	<b>\$ 256,878</b>	<b>100.0%</b>	<b>\$ 36,154</b>	<b>100.0%</b>
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(A) New investment during applicable year.

### ***Expenses***

Expenses, net of credits from the Adviser, increased for the year ended September 30, 2014, by 2.5% as compared to the prior year. This increase was primarily due to increases in dividend expense on our mandatorily redeemable preferred stock and other expenses, which were partially offset by decreases in the net base management and incentive fees and interest expense on our Credit Facility.

The increase of \$0.6 million in dividend expense on our mandatorily redeemable preferred stock during the year ended September 30, 2014, as compared to the prior year, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014 and voluntary redemption of

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our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014, (resulting in more shares of our Series 2021 Term Preferred Stock being issued and outstanding, partially offset by a lower rate on the new issuance). Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our mandatorily redeemable preferred stock.

The increase of \$0.5 million in other expenses during the year ended September 30, 2014, as compared to the prior year, was primarily due to the receipt of certain previously reserved for reimbursable deal expenses in the prior year. Additionally, there were increased due diligence expenses related to certain prospective portfolio companies during the year ended September 30, 2014, when compared to the prior year.

Partially offsetting these increases in expenses were decreases in the net base management and incentive fees of \$0.2 million each when compared to the prior year, which were due primarily to the larger credits of each of these fees during the year ended September 30, 2014. During both fiscal years ended September 30, 2014 and 2013, there were incentive fees earned during the year; however, partial incentive fee credits were provided by the Adviser to ensure distributions to stockholders were covered entirely by net investment income.

The base management fee, loan servicing fee, incentive fee and associated irrevocable, unconditional and non-contractual credits are computed quarterly, as described under *Investment Advisory and Management Agreement* and *Loan Servicing Fee Pursuant to the Credit Agreement* in Note 4 of the notes to our *Consolidated Financial Statements* in the accompanying prospectus and are summarized in the table below:

	<b>Year Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Average total assets subject to base management fee <sup>(A)</sup>	<b>\$ 293,200</b>	\$ 281,100
Multiplied by annual base management fee of 2.0%	<b>2.0%</b>	2.0%
<b>Base management fee<sup>(B)</sup></b>	<b>5,864</b>	5,622
Portfolio fee credit	<b>(797)</b>	(324)
Senior syndicated loan fee credit	<b>(117)</b>	(183)
<b>Net Base Management Fee</b>	<b>\$ 4,950</b>	\$ 5,115
<b>Loan servicing fee<sup>(B)</sup></b>	<b>\$ 3,503</b>	\$ 3,656
Credit to base management fee loan servicing fee <sup>(B)</sup>	<b>(3,503)</b>	(3,656)
<b>Net Loan Servicing Fee</b>	<b>\$</b>	\$
<b>Incentive fee<sup>(B)</sup></b>	<b>\$ 4,297</b>	\$ 4,343
Incentive fee credit	<b>(1,180)</b>	(1,014)
<b>Net Incentive Fee</b>	<b>\$ 3,117</b>	\$ 3,329
Portfolio fee credit	<b>\$ (797)</b>	\$ (324)
Senior syndicated loan fee credit	<b>(117)</b>	(183)
Incentive fee credit	<b>(1,180)</b>	(1,014)

<b>Credit to Fees from Adviser Other<sup>(B)</sup></b>	<b>\$ (2,094)</b>	<b>\$ (1,521)</b>
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- (A) Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the four most recently completed quarters within the respective years and appropriately adjusted for any share issuances or repurchases during the applicable year.
- (B) Reflected, on a gross basis, as a line item on our *Consolidated Statement of Operations* located in the accompanying prospectus.

Interest expense on our Credit Facility decreased by \$0.6 million for the year ended September 30, 2014, as compared to the prior year, due primarily to decreased borrowings under our Credit Facility, resulting primarily from the repayments made from proceeds on the Series 2021 Term Preferred Stock offering in May 2014. The

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weighted average balance outstanding on our Credit Facility decreased year over year from \$53.2 million as of September 30, 2013 to \$41.9 million as of September 30, 2014, a decrease of 21.2%. Additionally, the decrease in interest expense for the year ended September 30, 2014, as compared to the prior year, was due to the January 2013 amendment of our Credit Facility to remove the LIBOR minimum of 1.5% on advances.

### ***Realized Loss and Unrealized Appreciation***

#### **Net Realized Loss on Investments and Escrows**

For the year ended September 30, 2014, we recorded a net realized loss on investments and escrows of \$12.1 million, which primarily consisted of realized losses of \$10.8 million due to our sale of LocalTel for proceeds contingent on an earn-out and \$2.8 million due to our sale of BAS for net proceeds of \$4.7 million. Partially offsetting these realized losses, was the realized gain of \$1.0 million we recognized on the exit of WP Evenflo.

For the year ended September 30, 2013, we recorded a net realized loss on investments and escrows of \$5.2 million, which primarily consisted of realized losses of \$2.9 million related to the sale of Kansas Cable Holdings, Inc. ( KCH ) for net proceeds of \$0.6 million, \$2.4 million related to the sale of Viapack, Inc. ( Viapack ) for net proceeds of \$5.9 million and \$0.9 million related to the write off of Access TV. These realized losses were partially offset by realized gains of \$1.0 million, which consisted of a combined \$0.5 million of escrowed proceeds and tax refunds received in connection with exits on two investments in fiscal year 2012 and an aggregate of \$0.5 million of unamortized discounts related to the early payoffs at par of 12 syndicated investments during the year.

#### **Realized Loss on Extinguishment of Debt**

Realized loss on extinguishment of debt of \$1.3 million for the year ended September 30, 2014, is comprised primarily of our unamortized deferred financing costs at the time of the voluntary redemption of our then existing Series 2016 Term Preferred Stock in May 2014.

#### **Net Unrealized Appreciation of Investments**

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the year, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the year ended September 30, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of \$7.4 million, which included the reversal of an aggregate of \$18.0 million in cumulative unrealized depreciation primarily related to the repayment of principal in full at par on Junior Golf and the sales of BAS and LocalTel during the fiscal year. Excluding reversals, we recorded \$10.6 million in net unrealized depreciation for the year ended September 30, 2014. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the year ended September 30, 2014, consisted of approximately \$16.3 million of depreciation on our debt investments and approximately \$5.7 million of appreciation on our equity investments.

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The net realized (loss) gain and unrealized appreciation (depreciation) across our investments for the year ended September 30, 2014, were as follows:

<b>Portfolio Company</b>	<b>Year Ended September 30, 2014</b>			
	<b>Realized (Loss) Gain</b>	<b>Unrealized Appreciation (Depreciation)</b>	<b>Reversal of Unrealized Depreciation (Appreciation)</b>	<b>Net Gain (Loss)</b>
Defiance Integrated Technologies, Inc.	\$	\$ 4,594	\$	\$ 4,594
BAS Broadcasting	(2,765)	187	6,905	4,327
Funko, LLC		4,162		4,162
Legend Communications of Wyoming, LLC		2,729		2,729
International Junior Golf Training Acquisition Company		(6)	2,261	2,255
Sunshine Media Holdings		1,955		1,955
North American Aircraft Services, LLC		1,755		1,755
Francis Drilling Fluids, Ltd.		1,186		1,186
WP Evenflo Group Holdings, Inc.	988	1,105	(1,002)	1,091
Sunburst Media Louisiana, LLC		974		974
Edge Adhesives Holdings, Inc.		579		579
Westland Technologies, Inc.		405		405
J. America, Inc.		(352)		(352)
LocalTel, LLC	(10,768)		10,218	(550)
Alloy Die Casting Co.		(643)		(643)
Lindmark Acquisition, LLC		(827)		(827)
FedCap Partners, LLC		(827)		(827)
Ameriquel Group, LLC		(838)		(838)
Saunders and Associates		(3,945)		(3,945)
Precision Acquisition Group Holdings, Inc.		(4,601)		(4,601)
RBC Acquisition Corp.		(5,330)		(5,330)
Midwest Metal Distribution, Inc.		(12,892)		(12,892)
Other, net (<\$250)	432	43	(406)	69
<b>Total:</b>	<b>\$ (12,113)</b>	<b>\$ (10,587)</b>	<b>\$ 17,976</b>	<b>\$ (4,724)</b>

The largest driver of our net unrealized depreciation (excluding reversals) for the year ended September 30, 2014, was the decreases in comparable multiples used in valuations and a decline in the financial and operational performance of Midwest Metal and RBC resulting in \$12.9 million and \$5.3 million, respectively, of net unrealized depreciation during the year. Partially offsetting this net unrealized depreciation for the year ended September 30, 2014, was the net unrealized appreciation on Defiance of \$4.6 million and on Funko of \$4.2 million due to increases in comparable multiples used in valuations and incremental improvements in the financial and operational performance of these portfolio companies.

During the year ended September 30, 2013, we recorded net unrealized appreciation of investments in the aggregate amount of \$15.7 million, which included the reversal of an aggregate of \$26.0 million in unrealized depreciation primarily related to the repayment of principal in full at par on Lindmark, the sales of Viapack and KCH, and the write

off of Access TV. Excluding reversals, we recorded \$10.4 million in net unrealized depreciation for the year ended September 30, 2013. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the year ended September 30, 2013, consisted of approximately \$5.3 million of depreciation on our debt investments and approximately \$5.1 million of depreciation on our equity investments.

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The net realized (loss) gain and unrealized (depreciation) appreciation across our investments for the year ended September 30, 2013, were as follows:

Portfolio Company	Year Ended September 30, 2013			
	Realized (Loss) Gain	Unrealized (Depreciation) Appreciation	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Lindmark Acquisition, LLC	\$	\$ (224)	\$ 14,006	\$ 13,782
Viapack, Inc.	(2,407)		6,660	4,253
RBC Acquisition Corp.		2,159		2,159
Sunshine Media Holdings		1,632		1,632
Westlake Hardware, Inc.			640	640
GFRC Holdings, LLC		572		572
North American Aircraft Services LLC		505	8	513
CMI Acquisition, LLC		(927)	1,426	499
Kansas Cable Holdings, Inc.	(2,906)	401	2,922	417
Funko, LLC		396		396
FedCap Partners, LLC		384		384
Allison Publications, LLC		265		265
Access Television Network, Inc.	(872)		903	31
Saunders & Associates		(296)		(296)
WP Evenflo Group Holdings, Inc.		(443)	3	(440)
Francis Drilling Fluids, Ltd.		(718)		(718)
Westland Technologies, Inc.		(825)		(825)
Targus Group International, Inc.		(881)		(881)
Heartland Communications Group		(951)		(951)
AG Transportation Holdings, LLC		(1,078)		(1,078)
Precision Acquisition Group Holdings, Inc.		(1,193)		(1,193)
LocalTel, LLC		(1,209)		(1,209)
BAS Broadcasting		(1,493)		(1,493)
Legend Communications of Wyoming, LLC		(1,557)		(1,557)
Sunburst Media Louisiana, LLC		(1,650)		(1,650)
Midwest Metal Distribution, Inc.		(2,101)		(2,101)
Defiance Integrated Technologies, Inc.		(2,246)		(2,246)
Other, net (<\$250)	954	1,123	(540)	1,537
<b>Total:</b>	<b>\$ (5,231)</b>	<b>\$ (10,355)</b>	<b>\$ 26,028</b>	<b>\$ 10,442</b>

The largest driver of our net unrealized depreciation (excluding reversals) for the year ended September 30, 2013, was due to a decline in financial and operational performance of Defiance and Midwest Metal resulting in \$2.2 million and \$2.1 million, respectively, of net unrealized depreciation during the year. Partially offsetting this net unrealized depreciation was the net unrealized appreciation on RBC of \$2.2 million during the year ended September 30, 2013, due to an incremental improvement in the financial and operational performance of this portfolio company.

As of September 30, 2014, the fair value of our investment portfolio was less than its cost basis by approximately \$68.0 million and our entire investment portfolio was valued at 80.5% of cost, as compared to cumulative net unrealized depreciation of \$75.4 million and a valuation of our entire portfolio at 77.3% of cost as of September 30, 2013. This decrease year over year in the cumulative unrealized depreciation on investments represents net unrealized appreciation of \$10.1 million for the year ended September 30, 2014. Of our current investment portfolio, 11 portfolio companies originated before December 31, 2007, which represented 39.0% of the entire cost basis of our portfolio, were valued at 54.0% of cost and included our three investments on non-accrual status. Our 34 portfolio companies that originated after December 31, 2007, representing 61.0% of the entire cost basis of our portfolio, were valued at 97.5% of cost and none of which were on non-accrual status.

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Net unrealized (appreciation) depreciation of other includes the net change in the fair value of our Credit Facility and our interest rate swap during the year, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. During the year ended September 30, 2014, we recorded a net unrealized appreciation of other of \$1.1 million, compared to a net unrealized depreciation of \$3.4 million for the year ended September 30, 2013. Our Credit Facility was fair valued at \$38.0 million and \$47.1 million as of September 30, 2014 and 2013, respectively. The interest rate swap was fair valued at \$0 and \$4 as of September 30, 2014 and 2013, respectively.

**LIQUIDITY AND CAPITAL RESOURCES****Operating Activities**

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash provided by operating activities during the nine months ended June 30, 2016, was \$51.9 million, as compared to net cash used in operating activities of \$52.3 million for the nine months ended June 30, 2015. This change was primarily due to increased investment repayments from sales and payoffs and a decrease in purchases of new investments. Repayments and proceeds from sales of investments totaled \$98.4 million during the nine months ended June 30, 2016 compared to \$28.6 million during the nine months ended June 30, 2015. Purchases of investments were \$59.9 million during the nine months ended June 30, 2016 compared to \$93.8 million during the nine months ended June 30, 2015.

As of June 30, 2016, we had loans to, syndicated participations in, or equity investments in 43 private companies with an aggregate cost basis of approximately \$386.3 million. As of June 30, 2015, we had loans to, syndicated participations in and/or equity investments in 46 private companies with an aggregate cost basis of approximately \$401.1 million.

The following table summarizes our total portfolio investment activity during the nine months ended June 30, 2016 and 2015, at fair value:

	<b>Nine Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Beginning investment portfolio, at fair value	<b>\$ 365,891</b>	\$ 281,286
New investments	<b>54,300</b>	65,348
Disbursements to existing portfolio companies	<b>5,562</b>	28,417
Scheduled principal repayments	<b>(1,169)</b>	(776)
Unscheduled principal repayments	<b>(77,427)</b>	(9,284)
Net proceeds from sales	<b>(19,829)</b>	(18,541)
Net unrealized (depreciation) appreciation	<b>(24,295)</b>	(1,356)
Reversal of prior period (appreciation) depreciation	<b>(9,452)</b>	15,518
Net realized gain (loss)	<b>9,837</b>	(14,024)

Increase in investments due to PIK (A) or other	<b>4,311</b>	463
Cost adjustments on non-accrual loans	<b>388</b>	384
Net change in premiums, discounts and amortization	<b>109</b>	(219)
<b>Investment Portfolio, at Fair Value</b>	<b>\$ 308,226</b>	\$ 347,216

- (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.

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The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2016:

		<b>Amount<sup>(A)</sup></b>
For the remaining three months ending September 30:	2016	\$ 38,702
For the fiscal year ending September 30:	2017	43,464
	2018	28,833
	2019	45,661
	2020	91,225
	Thereafter	100,877
	<b>Total contractual repayments</b>	<b>\$ 348,762</b>
	Equity investments	38,036
	Adjustments to cost basis on debt investments	(472)
	<b>Cost basis of investments held at June 30, 2016:</b>	<b>\$ 386,326</b>

(A) Subsequent to June 30, 2016, one debt investment with a principal balance of \$29.0 million which previously had a maturity date during the fiscal year ending September 30, 2016, was extended to mature during the fiscal year ended September 30, 2018.

Net cash used by operating activities for the year ended September 30, 2015, was \$74.5 million as compared to net cash provided by operating activities of \$0.5 million for the year ended September 30, 2014. The increase in cash used by operating activities was primarily due to the increase in purchases of investments and a decrease in repayments on investments during the year ended September 30, 2015. For the year ended September 30, 2013, net cash provided by operating activities was \$32.1 million, which was primarily driven by principal repayments and net proceeds from sales of investments during fiscal year 2013.

As of September 30, 2015, we had loans to, syndicated participations in or equity investments in 48 private companies, with an aggregate cost basis of approximately \$410.2 million. As of September 30, 2014, we had loans to, syndicated participations in or equity investments in 45 private companies, with an aggregate cost basis of approximately \$349.3 million.

The following table summarizes our total portfolio investment activity during the years ended September 30, 2015 and 2014:

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
Beginning investment portfolio, at fair value	<b>\$ 281,286</b>	\$ 256,878
New investments	<b>102,299</b>	81,731
Disbursements to existing portfolio companies	<b>33,824</b>	20,314

Scheduled principal repayments	(1,182)	(2,802)
Unscheduled principal repayments	(12,559)	(65,058)
Net proceeds from sales of investments	(28,602)	(4,700)
Net unrealized depreciation of investments	(10,953)	(10,587)
Reversal of prior period net depreciation of investments on realization	34,600	17,976
Net realized loss on investments	(33,666)	(12,163)
Increase in investment balance due to PIK interest <sup>(A)</sup>	665	288
Cost adjustments on non-accrual loans	328	(717)
Net change in premiums, discounts and amortization	(149)	126
<b>Ending Investment Portfolio, at Fair Value</b>	<b>\$ 365,891</b>	<b>\$ 281,286</b>

- <sup>(A)</sup> 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.

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The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, at September 30, 2015.

<b>Year Ending September 30,</b>	<b>Amount</b>
2016	\$ 102,851
2017	11,072
2018	34,499
2019	62,609
Thereafter	163,904
<b>Total contractual repayments</b>	<b>\$ 374,935</b>
Equity investments	36,319
Adjustments to cost basis on debt investments	(1,010)
<b>Investment Portfolio as of September 30, 2015, at Cost:</b>	<b>\$ 410,244</b>

**Financing Activities**

Net cash used in financing activities totaled \$50.7 million for the nine months ended June 30, 2016 and consisted primarily of net repayments on our Credit Facility of \$54.0 million and \$14.6 million of distributions to common stockholders, partially offset by \$18.5 million in net proceeds from our common stock offering during the nine months ended June 30, 2016. Net cash provided by financing activities totaled \$53.8 million for the nine months ended June 30, 2015 and consisted primarily of net proceeds from borrowings on our Credit Facility of \$67.9 million, partially offset by \$13.3 million of distributions to common stockholders.

Net cash provided by financing activities for the year ended September 30, 2015 of \$72.0 million consisted primarily of \$90.6 million in net borrowings on our Credit Facility and \$17.7 million in distributions to common stockholders.

Net cash used in financing activities for the year ended September 30, 2014 of \$8.1 million consisted primarily of \$17.6 million in distributions to common stockholders and \$10.2 million in net repayments on our Credit Facility. These financing activities were partially offset by the gross proceeds of \$61.0 million from the issuance of our Series 2021 Term Preferred Stock, net of the voluntary redemption of \$38.5 million of the then existing Series 2016 Term Preferred Stock in May 2014.

Net cash used in financing activities for the year ended September 30, 2013 of \$28.1 million consisted primarily of \$17.6 million in distributions to common stockholders and \$11.9 million in net repayments on our Credit Facility.

**Distributions to Stockholders*****Common Stock Distributions***

To qualify to be taxed as a RIC and thus avoid corporate-level federal income tax on the income that 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 limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. In accordance with these requirements, we paid monthly cash distributions of \$0.07 per common share for each of the nine months from

October 2015 through June 2016, which totaled an aggregate of \$14.6 million. In July 2016, our Board of Directors declared a monthly distribution of \$0.07 per common share for each of July, August, and September 2016. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2016.

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For the fiscal year ended September 30, 2015, which includes the nine months ended June 30, 2015, our aggregate distributions to common stockholders totaled approximately \$17.7 million, which were declared based on estimates of our investment company taxable income for that fiscal year. For the fiscal year ended September 30, 2015, our current and accumulated earnings and profits (after taking into account our mandatorily redeemable preferred stock distributions), exceeded common stock distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat \$1.7 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year. For each of the years ended September 30, 2014 and 2013, common stockholder distributions declared and paid exceeded our current and accumulated earnings and profits (after taking into account our mandatorily redeemable preferred dividends), which resulted in an estimated partial return of capital of approximately \$15.2 million and \$1.3 million, respectively. The returns of capital resulted primarily from accounting principles generally accepted in the U.S. ( GAAP ) realized losses being recognized as ordinary losses for federal income tax purposes in each of those fiscal years.

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2016 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***

We paid monthly cash dividends of \$0.140625 per share of our Series 2021 Term Preferred Stock for each of the nine months from October 2015 through June 2016, which totaled an aggregate of \$3.1 million. In July 2016, our Board of Directors declared a monthly dividend of \$0.140625 per share of Series 2021 Term Preferred stock for each of July, August, and September 2016. For federal income tax purposes, dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

During the year ended September 30, 2015, we paid monthly cash dividends of \$0.140625 per share of our Series 2021 Term Preferred Stock for each month, which totaled an aggregate of \$4.1 million, including monthly cash dividends of \$0.1484375 per share of our Series 2021 Term Preferred Stock for each of the nine months from October 2013 through May 2014, which totaled an aggregate of \$2.3 million.

## **Equity**

### ***Registration Statement***

We filed our Registration Statement on December 18, 2015, and subsequently filed Pre-Effective Amendment No. 1 on March 17, 2016 and Pre-Effective Amendment No. 2 on March 29, 2016, which the SEC declared effective on March 29, 2016. Our Registration Statement registered an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities.

### ***Common Stock***

At our Annual Meeting of Stockholders held on February 11, 2016, our stockholders approved a proposal authorizing us to sell shares of our common stock at a price below our then current NAV per share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale.

Pursuant to our prior registration statement, on February 27, 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements ) with KeyBanc Capital Markets

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Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of \$50.0 million shares of our common stock. During the year ended September 30, 2015, we sold an aggregate of 131,462 shares of our common stock under the Sales Agreements for net proceeds, net of underwriter's commissions and other offering expenses borne by us, of approximately \$1.0 million. We did not sell any shares under the Sales Agreements during the nine months ended June 30, 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. Gross proceeds totaled \$17.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately \$16.0 million. In connection with the offering, in November 2015, the underwriters exercised their option to purchase an additional 300,000 shares at the public offering price to cover over-allotments, which resulted in gross proceeds of \$2.6 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately \$2.4 million. The net proceeds of this offering were used to repay borrowings under our Credit Facility.

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

In January 2016, our Board of Directors authorized a share repurchase program for up to an aggregate of \$7.5 million of the Company's common stock. The repurchase program does not obligate the Company to acquire any particular number of shares of common stock. Refer to *Overview Recent Developments* for further discussion of our common stock share repurchase program and purchases made during the quarter ended June 30, 2016.

***Term Preferred Stock***

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

Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately \$4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to \$25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the *Redemption Price*). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage ratio of at least 200% on our senior securities that are stock (which, currently is only the Series 2021 Term Preferred Stock) and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price at any time on or after June 30, 2017. The asset coverage on our senior securities that are stock (thus, our Series 2021 Term Preferred Stock) as of September 30, 2015 and June 30, 2016 was 199.3% and 235.4%, respectively.

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If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of June 30, 2016, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

**Revolving Credit Facility**

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Facility, which increased the commitment amount from \$137.0 million to \$140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day London Interbank Offered Rate ( 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. Our Credit Facility was arranged by KeyBank, as administrative agent, lead arranger and a lender. 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 May 1, 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.

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

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank and with The Bank of New York Mellon Trust Company, N.A. as custodian. KeyBank, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 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 \$214.5 million as of June 30, 2016, (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.

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As of June 30, 2016, and as defined in the performance guaranty of our Credit Facility, we had a net worth of \$244.8 million, asset coverage on our senior securities representing indebtedness of 430.9% and an active status as a BDC and RIC. In addition, we had 31 obligors in our Credit Facility's borrowing base as of June 30, 2016. As of June 30, 2016 we were in compliance with all of our Credit Facility covenants. Refer to Note 5 *Borrowings* of the notes to our accompanying *Condensed Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding our revolving line of credit.

**Off-Balance Sheet Arrangements**

As of June 30, 2016 and September 30, 2015, we had aggregate unrecognized success fee receivables on our accruing debt investments of \$6.4 million and \$7.7 million (or approximately \$0.27 per common share and \$0.37 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Of our interest bearing debt investments as of September 30, 2015, 30.2% had a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally recognize success fees as income only when the payment has been received. As a result, as of September 30, 2015 and 2014, we had aggregate off-balance sheet success fee receivables of \$7.7 million and \$11.0 million (or approximately \$0.37 per common share and \$0.52 per common share), respectively, on our accruing debt investments that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees' contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

**Contractual Obligations**

We have lines of credit, a delayed draw term loan, and an uncalled capital commitment with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit, the unused delayed draw term loan and the uncalled capital commitment as of June 30, 2016 and September 30, 2015 to be immaterial.

The following table summarizes our contractual obligations as of June 30, 2016, at cost:

Contractual Obligations <sup>(A)</sup>	Payments Due by Fiscal Years				
	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years	Total
Credit Facility <sup>(B)</sup>	\$	\$ 73,300	\$	\$	\$ 73,300
Series 2021 Term Preferred Stock			61,000		61,000
Interest expense on debt obligations <sup>(C)</sup>	1,841	19,926	11,323		33,090
<b>Total</b>	<b>\$ 1,841</b>	<b>\$ 93,226</b>	<b>\$ 72,323</b>	<b>\$</b>	<b>\$ 167,390</b>

- (A) Excludes unused line of credit commitments, an unused delayed draw term loan and an uncalled capital commitment to our portfolio companies in the aggregate principal amount of \$8.4 million
- (B) Principal balance of borrowings under our Credit Facility as of June 30, 2016, based on the current revolving period end date of January 19, 2019.
- (C) Includes estimated interest payments on our Credit Facility and distribution obligations on our Series 2021 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of June 30, 2016. Distribution payments on our Series 2021 Term Preferred Stock assume quarterly distribution declarations and monthly distributions to stockholders through the date of mandatory redemption.

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As of the fiscal years ended September 30, 2015 and 2014, our unused line of credit commitments totaled \$14.7 million and \$5.9 million, at cost, respectively. When investing in certain private equity funds, we may have uncalled capital commitments depending on the agreed upon terms of our committed ownership interest. These capital commitments usually have a specific date in the future set as a closing date, at which time the commitment is either funded or terminates. As of September 30, 2015 and 2014, we had uncalled capital commitments related to our partnership interest in Leeds Novamark Capital I, L.P. of \$2.2 million and \$2.8 million, at cost, respectively.

The following table shows our contractual obligations as of September 30, 2015, at cost:

<b>Contractual Obligations<sup>(A)</sup></b>	<b>Payments Due by Period</b>				<b>Total</b>
	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>	
Credit Facility <sup>(B)</sup>	\$	\$	\$ 127,300	\$	\$ 127,300
Mandatorily Redeemable Preferred Stock			61,000		61,000
Interest expense on debt obligations <sup>(C)</sup>	8,787	26,360	12,750		47,897
<b>Total</b>	<b>\$ 8,787</b>	<b>\$ 26,360</b>	<b>\$ 201,050</b>	<b>\$</b>	<b>\$ 236,197</b>

(A) Excludes our unused line of credit and uncalled capital commitments to our portfolio companies in an aggregate amount of \$16.9 million, at cost, as of September 30, 2015.

(B) Principal balance of borrowings outstanding under our Credit Facility, based on the current contractual revolver period end date to the revolving nature of the facility.

(C) Includes estimated interest payments on our Credit Facility and dividend obligations on our Series 2021 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of September 30, 2015. Dividend payments on our Series 2021 Term Preferred Stock assume quarterly dividend declarations and monthly dividend distributions through the date of mandatory redemption.

**CRITICAL ACCOUNTING POLICIES**

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

**Investment Valuation**

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

Credit Monitoring and Risk Rating

The Adviser monitors a wide variety of key credit statistics that provide information regarding our portfolio companies to help us assess credit quality and portfolio performance and, in some instances, are used as inputs in our valuation techniques. Generally, we, through the Adviser, participate in periodic board meetings of our

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

The following table reflects risk ratings for all proprietary debt securities in our portfolio as of June 30, 2016, September 30, 2015 and 2014, representing approximately 90.8%, 84.1% and 80.8%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

<b>Rating</b>	<b>As of June 30, 2016</b>	<b>As of September 30, 2015</b>	<b>As of September 30, 2014</b>
Highest	8.0	8.0	9.0
Average	5.2	5.9	5.9
Weighted Average	5.1	6.0	5.2
Lowest	3.0	4.0	2.0

The following table reflects corporate-level risk ratings for all syndicated debt securities in our portfolio that were rated by an NRSRO as of June 30, 2016, September 30, 2015 and 2014, representing approximately 6.7%, 10.8% and 16.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

<b>Rating</b>	<b>As of June 30, 2016</b>	<b>As of September 30, 2015</b>	<b>As of September 30, 2014</b>
Highest	5.0	6.0	6.0
Average	3.8	4.8	4.6
Weighted Average	4.0	4.9	4.8
Lowest	2.0	3.0	3.5

The following table lists the risk ratings for all syndicated debt securities in our portfolio that were not rated by an NRSRO. As of June 30, 2016, September 30, 2015 and 2014, these loans represented 2.6%, 5.1% and 2.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

<b>Rating</b>	<b>As of June 30, 2016</b>	<b>As of September 30, 2015</b>	<b>As of September 30, 2014</b>
Highest	5.0	6.0	4.0
Average	4.0	4.8	4.0
Weighted Average	3.0	4.3	4.0
Lowest	3.5	3.0	4.0

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***Tax Status***

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

***Revenue Recognition***

**Interest Income Recognition**

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

***Other Income Recognition***

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

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

**Recent Accounting Pronouncements**

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

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

The primary risk we believe we are exposed to is interest rate risk. Because we borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, there can be no assurance that a significant change in market interest rates

will not have a material adverse effect on our net investment income. We use a combination of debt and equity capital to finance our investing activities. We may use interest rate risk management techniques from time to time to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

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All of our variable-rate debt investments have rates generally associated with the 30-day LIBOR. As of June 30, 2016, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	89.2%
Fixed rates	10.8
Total:	100.0%

There have been no material changes in the quantitative and qualitative market risk disclosures for the nine months ended June 30, 2016 from that disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015, as filed with the SEC on November 23, 2015, as amended on December 29, 2015.

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**Table of Contents****UNDERWRITING**

Janney Montgomery Scott LLC, D.A. Davidson & Co., Ladenburg Thalmann & Co. Inc. and Wunderlich Securities, Inc. are acting as joint book-running managers of this offering. Subject to the terms and conditions of the underwriting agreement dated October 26, 2016, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of shares of common stock set forth opposite their respective names below at the public offering price less the underwriting discounts and commissions on the cover page of this prospectus supplement.

	<b>Number of Shares</b>
<b>Underwriters</b>	
Janney Montgomery Scott LLC	620,000
D.A. Davidson & Co.	480,000
Ladenburg Thalmann & Co. Inc.	320,000
Wunderlich Securities, Inc.	340,000
Maxim Group LLC	100,000
National Securities Corporation	100,000
J.J.B. Hilliard, W.L. Lyons LLC	40,000
<b>Total</b>	<b>2,000,000</b>

Janney Montgomery Scott LLC is the sole representative of the underwriters named above.

The underwriting agreement provides that obligations of the underwriters to purchase the shares of our common stock that are being offered are subject to the approval of certain legal matters by counsel to the underwriters and to certain other conditions. Each underwriter is obligated to purchase all of the shares of our common stock set forth opposite its name in the table above if it purchases any shares of our common stock.

The underwriters propose to offer some of the shares of our common stock directly to the public at the offering price per share shown on the cover page of this prospectus supplement and may offer shares to certain dealers at such price less a concession not in excess of \$0.1292 per share. Investors must pay for the shares purchased in this offering on or before October 31, 2016. After the public offering of the shares of our common stock, the offering price and concessions described above may be changed by the underwriters.

We have granted to the underwriters an option, exercisable for up to 30 days after the date of this prospectus supplement, to purchase up to 300,000 additional shares of our common stock at the same price per share as the public offering price, less the underwriting discounts shown on the cover page of this prospectus supplement solely to cover over-allotments. To the extent that the underwriters exercise this option, each of the underwriters has a firm commitment, subject to certain conditions set forth in the underwriting agreement, to purchase the number of such additional shares of our common stock that is proportionate to such underwriter's initial commitment indicated in the table above.

Robert L. Marcotte, our president, has agreed to purchase 25,000 shares in this offering, at the public offering price.

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



option:

	Per Share		Total	
	Without	With	Without	With
	Overallotment	Overallotment	Overallotment	Overallotment
Public offering price	\$ 7.9800	\$ 7.9800	\$ 15,960,000	\$ 18,354,000
Underwriting discounts and commissions paid by us	\$ 0.3192	\$ 0.3192	\$ 638,400	\$ 734,160
Proceeds to us, before expenses	\$ 7.6608	\$ 7.6608	\$ 15,321,600	\$ 17,619,840

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We estimate that expenses payable by us in connection with this offering, other than underwriting discounts and commissions referred to above, will be approximately \$240,000. The underwriters will reimburse us for certain other expenses related to this offering.

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

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

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

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

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

Each underwriter does not intend to confirm sales of our common stock to any accounts over which it exercises discretionary authority.

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

In addition, the terms of the lock-up agreement do not prevent a stockholder party to such agreement from (a) transferring shares of our common stock acquired in open market transactions after the completion of this offering, (b) transferring any or all of the shares of our common stock or other Company securities if the transfer is by (i) gift, will or intestacy or (ii) distribution to partners, members or stockholders of the undersigned, (c) transferring shares of our common stock pursuant to any 10b5-1 trading plan in effect prior to the date of this prospectus and (d) entering

into any new 10b5-1 plan, provided that no sales of shares of our common stock or other Company securities shall be made pursuant to such 10b5-1 plan until after the expiration of the lock-up period; provided, however, that in the case of a transfer pursuant to clause (b) above, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding the securities subject to the provisions of the lock-up agreement.

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

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

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

## **Affiliations and Conflicts of Interest**

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

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

The principal business address of Janney Montgomery Scott LLC is 1717 Arch Street, Philadelphia, PA 19103. The principal business address of D.A. Davidson & Co. is 8 Third Street North, Great Falls, MT 59401. The principal business address of Ladenburg Thalmann & Co. Inc. is 570 Lexington Avenue, 12th Floor, New York, NY 10022. The principal business address of Wunderlich Securities, Inc. is 6000 Poplar Avenue, Suite 150, Memphis, TN 38119. The principal business address of Maxim Group LLC is 405 Lexington Avenue, 2nd Floor, New York, NY 10174. The principal business address of National Securities Corporation is 410 Park Ave, 14th Floor, New York, NY 10022. The principal business address of J.J.B. Hilliard, W.L. Lyons, LLC is 500 W. Jefferson Street, Louisville, KY 40202.

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**ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

This summary supplements the discussion contained under the caption *Material U.S. Federal Income Tax Considerations* in the accompanying prospectus and should be read in conjunction therewith.

*Information Reporting Requirements and Withholding.* As referenced in the accompanying prospectus under the caption *Material U.S. Federal Income Tax Considerations Taxation of Our U.S. Stockholders*, a U.S. federal withholding tax rate will be imposed on proceeds from the sale of our stock received by U.S. stockholders that hold our stock through certain foreign accounts if certain disclosure and other requirements are not satisfied. The effective date of the imposition of this U.S. federal withholding tax has been extended to payments received on or after January 1, 2019.

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**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 Branch Banking and Trust Company 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](http://www.computershare.com).

**WHERE YOU CAN FIND MORE INFORMATION**

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

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

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

**LEGAL MATTERS**

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

**EXPERTS**

The financial statements as of September 30, 2015 and September 30, 2014 and for each of the three years in the period ended September 30, 2015 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, 2015 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.

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<u>Consolidated Statements of Changes in Net Assets for the nine months ended June 30, 2016 and 2015 (unaudited)</u>	S-F-4
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<u>Notes to Consolidated Financial Statements</u>	S-F-19

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

	<b>June 30, 2016</b>	<b>September 30, 2015</b>
<b>ASSETS</b>		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of <b>\$259,811</b> and \$287,055, respectively)	<b>\$ 231,609</b>	\$ 277,411
Affiliate investments (Cost of <b>\$84,639</b> and \$81,427, respectively)	<b>60,695</b>	66,029
Control investments (Cost of <b>\$41,876</b> and \$41,762 respectively)	<b>15,922</b>	22,451
Total investments at fair value (Cost of <b>\$386,326</b> and \$410,244 respectively)	<b>308,226</b>	365,891
Cash and cash equivalents	<b>5,022</b>	3,808
Restricted cash and cash equivalents	<b>60</b>	283
Interest receivable, net	<b>2,654</b>	5,581
Due from custodian	<b>1,779</b>	1,186
Deferred financing fees, net	<b>3,434</b>	4,161
Other assets, net	<b>4,375</b>	1,572
<b>TOTAL ASSETS</b>	<b>\$ 325,550</b>	\$ 382,482
<b>LIABILITIES</b>		
Borrowings, at fair value (Cost of <b>\$73,300</b> and \$127,300, respectively)	<b>\$ 73,300</b>	\$ 127,300
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; <b>4,000,000</b> shares authorized and <b>2,440,000</b> shares issued and outstanding	<b>61,000</b>	61,000
Accounts payable and accrued expenses	<b>434</b>	597
Interest payable	<b>164</b>	272
Fees due to Adviser <sup>(A)</sup>	<b>1,364</b>	904
Fee due to Administrator <sup>(A)</sup>	<b>287</b>	250
Other liabilities	<b>3,487</b>	715
<b>TOTAL LIABILITIES</b>	<b>\$ 140,036</b>	\$ 191,038
Commitments and contingencies <sup>(B)</sup>		
<b>NET ASSETS</b>		
Common stock, \$0.001 par value per share, <b>46,000,000</b> shares authorized; <b>23,344,422</b> and 21,131,622 shares issued and outstanding as of June 30, 2016 and September 30, 2015, respectively	<b>\$ 23</b>	\$ 21



Capital in excess of par value	<b>327,697</b>	307,862
Cumulative net unrealized depreciation of investments	<b>(78,100)</b>	(44,353)
Cumulative net unrealized depreciation of other		(61)
Under (over) distributed net investment income	<b>4,599</b>	(1,541)
Accumulated net realized losses	<b>(68,705)</b>	(70,484)
<b>TOTAL NET ASSETS</b>	<b>\$ 185,514</b>	\$ 191,444
<b>NET ASSET VALUE PER COMMON SHARE</b>	<b>\$ 7.95</b>	\$ 9.06

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

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

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

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Table of Contents**GLADSTONE CAPITAL CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)****(UNAUDITED)**

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>INVESTMENT INCOME</b>				
Interest income, net				
Non-Control/Non-Affiliate investments	\$ 5,878	\$ 7,003	\$ 19,203	\$ 20,199
Affiliate investments	2,069	1,793	5,980	4,492
Control investments	304	310	921	800
Other	2	1	3	4
Total interest income	8,253	9,107	26,107	25,495
Other income				
Non-Control/Non-Affiliate investments	542	578	1,831	1,656
Affiliate investments	466		466	
Control investments	583	250	958	733
Total other income	1,591	828	3,255	2,389
Total investment income	9,844	9,935	29,362	27,884
<b>EXPENSES</b>				
Base management fee <sup>(A)</sup>	1,369	1,859	4,258	5,257
Loan servicing fee <sup>(A)</sup>	896	1,015	2,876	2,802
Incentive fee <sup>(A)</sup>	1,187	1,021	3,369	2,866
Administration fee <sup>(A)</sup>	287	235	900	784
Interest expense on borrowings	648	1,033	2,066	2,735
Dividend expense on mandatorily redeemable preferred stock	1,029	1,029	3,088	3,087
Amortization of deferred financing fees	273	253	802	857
Professional fees	214	315	925	899
Other general and administrative expenses	426	222	1,106	893
Expenses, before credits from Adviser	6,329	6,982	19,390	20,180
Credit to base management fee loan servicing fee <sup>(A)</sup>	(896)	(1,015)	(2,876)	(2,802)
Credits to fees from Adviser other <sup>(A)</sup>	(496)	(868)	(1,736)	(1,714)
Total expenses, net of credits	4,937	5,099	14,778	15,664

<b>NET INVESTMENT INCOME</b>	<b>4,907</b>	4,836	<b>14,584</b>	12,220
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>				
Net realized (loss) gain:				
Non-Control/Non-Affiliate investments	<b>(153)</b>	(1,143)	<b>8,875</b>	435
Affiliate investments	<b>72</b>		<b>1,280</b>	
Control investments	<b>(3)</b>		<b>(318)</b>	(14,459)
Other		68	<b>(64)</b>	(491)
Total net realized (loss) gain	<b>(84)</b>	(1,075)	<b>9,773</b>	(14,515)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	<b>4,176</b>	7,920	<b>(18,558)</b>	8,682
Affiliate investments	<b>(2,012)</b>	(7,465)	<b>(8,546)</b>	(7,815)
Control investments	<b>(1,471)</b>	(1,602)	<b>(6,643)</b>	13,295
Other		693	<b>62</b>	1,313
Total net unrealized appreciation (depreciation)	<b>693</b>	(454)	<b>(33,685)</b>	15,475
Net realized and unrealized gain (loss)	<b>609</b>	(1,529)	<b>(23,912)</b>	960
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>				
	<b>\$ 5,516</b>	<b>\$ 3,307</b>	<b>\$ (9,328)</b>	<b>\$ 13,180</b>
<b>BASIC AND DILUTED PER COMMON SHARE:</b>				
Net investment income	<b>\$ 0.21</b>	<b>\$ 0.23</b>	<b>\$ 0.63</b>	<b>\$ 0.58</b>
Net increase (decrease) in net assets resulting from operations	<b>\$ 0.24</b>	<b>\$ 0.16</b>	<b>\$ (0.40)</b>	<b>\$ 0.63</b>
Distributions declared and paid	<b>\$ 0.21</b>	<b>\$ 0.21</b>	<b>\$ 0.63</b>	<b>\$ 0.63</b>
<b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted</b>				
	<b>23,363,952</b>	21,123,202	<b>23,145,842</b>	21,045,014

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

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

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended June 30,	
	2016	2015
<b>OPERATIONS</b>		
Net investment income	\$ 14,584	\$ 12,220
Net realized gain (loss) on investments and other	9,773	(14,515)
Net unrealized (depreciation) appreciation of investments	(33,747)	14,162
Net unrealized depreciation of other	62	1,313
Net (decrease) increase in net assets resulting from operations	(9,328)	13,180
<b>DISTRIBUTIONS</b>		
Distributions to common stockholders from net investment income	(11,395)	(13,261)
Distributions to common stockholders from realized gains	(3,189)	
Total distributions to common stockholders	(14,584)	(13,261)
<b>CAPITAL TRANSACTIONS</b>		
Issuance of common stock	19,665	1,169
Offering costs for issuance of common stock	(1,111)	(205)
Repurchase of common stock	(572)	
Repayment of principal on employee note		100
Net increase in net assets resulting from capital transactions	17,982	1,064
<b>NET (DECREASE) INCREASE IN NET ASSETS</b>	<b>(5,930)</b>	<b>983</b>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<b>191,444</b>	<b>199,660</b>
<b>NET ASSETS, END OF PERIOD</b>	<b>\$ 185,514</b>	<b>\$ 200,643</b>

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

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

	Nine Months Ended June 30, 2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (decrease) increase in net assets resulting from operations	\$ (9,328)	\$ 13,180
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(59,862)	(93,765)
Principal repayments on investments	78,596	10,060
Net proceeds from sale of investments	19,829	18,541
Net realized (gain) loss on investments	(9,837)	14,024
Increase in investments due to paid-in-kind interest or other	(4,311)	(463)
Net change in premiums, discounts and amortization	(109)	219
Cost adjustments on non-accrual loans	(388)	(384)
Net unrealized depreciation (appreciation) of investments	33,747	(14,162)
Net realized loss on other	64	
Net unrealized depreciation of other	(62)	(1,313)
Decrease in restricted cash and cash equivalents	223	179
Amortization of deferred financing fees	802	857
Decrease (increase) in interest receivable, net	2,927	(2,407)
(Increase) decrease in due from custodian	(593)	3,047
Increase in other assets, net	(2,803)	(213)
Decrease in accounts payable and accrued expenses	(163)	(45)
(Decrease) increase in interest payable	(108)	85
Increase in fees due to Adviser <sup>(A)</sup>	460	343
Increase in fee due to Administrator <sup>(A)</sup>	37	16
Increase (decrease) in other liabilities and other	2,770	(137)
Net cash provided by (used in) operating activities	51,891	(52,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	77,000	109,000
Repayments on borrowings	(131,000)	(41,100)
Deferred financing fees	(75)	(1,856)
Proceeds from issuance of common stock	19,665	1,169
Offering costs for issuance of common stock	(1,111)	(205)
Repurchases of common stock	(572)	
Distributions paid to common stockholders	(14,584)	(13,261)
Receipt of principal on employee note		100

Net cash (used in) provided by financing activities	(50,677)	53,847
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,214</b>	<b>1,509</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>3,808</b>	<b>6,314</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 5,022</b>	<b>\$ 7,823</b>
<b>NON-CASH ACTIVITIES<sup>(B)</sup></b>	<b>\$ 3,921</b>	<b>\$</b>

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

(B) Significant non-cash operating activities consisted principally of the following transaction: In February 2016, our investment in Targus Group International, Inc. ( Targus ) was restructured. As part of the transaction, our secured first lien debt investment with a cost basis and fair value of \$9.0 million and \$6.9 million, respectively, was restructured resulting in a common stock investment with a cost basis of \$2.3 million and a secured first lien debt investment with a cost basis of \$2.1 million. We contributed \$0.5 million in cash as part of the transaction. The restructure resulted in a net realized loss of \$5.5 million and a new investment in Targus Cayman HoldCo Limited, which is listed on the accompanying *Consolidated Statement of Investments* as of June 30, 2016.

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

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**JUNE 30, 2016**  
**(DOLLAR AMOUNTS IN THOUSANDS)**  
**(UNAUDITED)**

<b>Company<sup>(A)</sup></b>	<b>Industry</b>	<b>Investment<sup>(B)</sup></b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(N)</sup> :</b>					
<b>Proprietary Investments:</b>					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018) <sup>(D)</sup>	\$ 13,000	\$ 13,000	\$ 12,870
		Member Profit Participation (18.0% ownership) <sup>(F)(H)</sup>		1,000	
		Profit Participation Warrants (7.0% ownership) <sup>(F)(H)</sup>		244	
				14,244	12,870
Alloy Die Casting Corp. <sup>(T)</sup>	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018) <sup>(D)</sup>	5,235	5,235	4,947
		Secured First Lien Debt (13.5%, Due 4/2017) <sup>(D)</sup>	75	75	75
		Preferred Stock (1,742 shares) <sup>(F)(H)</sup>		1,742	248
		Common Stock (270 shares) <sup>(F)(H)</sup>		18	
				7,070	5,270
Behrens Manufacturing, LLC <sup>(T)</sup>	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018) <sup>(D)</sup>	4,275	4,275	4,302
		Preferred Stock (1,253 shares) <sup>(F)(H)(K)</sup>		1,253	4,239
				5,528	8,541

B+T Group Acquisition Inc. <sup>(T)</sup>	Telecommunications	Secured First Lien Debt (13.0%, Due 12/2019) (D)	6,000	6,000	5,670
		Preferred Stock (5,503 shares) <sup>(F)(H)(K)</sup>		1,799	
				7,799	5,670
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, \$0 available (7.3%, Due 2/2015) <sup>(F)</sup>	108	108	
Drumcree, LLC	Broadcasting and entertainment	Secured First Lien Debt (13.0% PIK, Due 1/2017) <sup>(F)(G)</sup>	4,680	4,680	4,680
Flight Fit N Fun LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt (12.0%, Due 9/2020) <sup>(D)</sup>	7,800	7,800	7,761
		Preferred Stock (700,000 units) <sup>(F)(H)</sup>		700	969
				8,500	8,730
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (11.4%, Due 4/2020) <sup>(D)</sup>	15,000	15,000	9,750
		Secured Second Lien Debt (10.8%, Due 4/2020) <sup>(D)</sup>	7,000	7,000	4,550
		Preferred Equity Units (999 units) <sup>(F)(H)</sup>		860	
		Common Equity Units (999 units) <sup>(F)(H)</sup>		1	
				22,861	14,300
Funko Acquisition Holdings, LLC <sup>(T)</sup>	Personal and non-durable consumer products	Preferred Equity Units (260 units) <sup>(H)(F)</sup>		260	326
		Common Stock (975 units) <sup>(H)(F)</sup>			
				260	326

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<b>Company<sup>(A)</sup></b>	<b>Industry</b>	<b>Investment<sup>(B)</sup></b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(N)</sup> (Continued):</b>					
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, \$295 available (9.0%, Due 9/2018) <sup>(F)</sup>	905	905	905
		Secured First Lien Debt (9.0%, Due 9/2018) <sup>(F)</sup>	1,000	1,000	1,000
		Preferred Stock (1,000 shares) <sup>(F)(H)</sup>		1,025	851
		Common Stock Warrants (45.0% ownership) <sup>(F)(H)</sup>			
				2,930	2,756
IA Tech, LLC	Diversified/conglomerate service	Secured First Lien Debt (12.0%, Due 6/2021) <sup>(J)</sup>	30,000	30,000	30,000
LCR Contractors, LLC	Buildings and Real Estate	Secured First Lien Debt (10.0%, Due 1/2021) <sup>(D)</sup>	8,500	8,500	8,479
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, \$2,004 uncalled capital commitment) <sup>(H)(M)(S)</sup>		991	759
Meridian Rack & Pinion, Inc. <sup>(T)</sup>	Automobile	Secured First Lien Debt (13.5%, Due 12/2018) <sup>(D)</sup>	4,140	4,140	3,705
		Preferred Stock (1,449 shares) <sup>(F)(H)</sup>		1,449	258
				5,589	3,963
Mikaway	Beverage, food and tobacco	Secured Second Lien Debt (11.5%, Due 1/2021) <sup>(D)</sup>	\$ 6,750	\$ 6,750	\$ 6,699
		Common Stock (450 units) <sup>(F)(H)</sup>		450	219
				7,200	6,918
Precision Acquisition Group Holdings, Inc.	Machinery	Secured First Lien Equipment Note	1,000	1,000	368

		(11.0%, Due 4/2016) <sup>(F)</sup>			
		Secured First Lien Debt (11.0%, Due 4/2016) <sup>(F)</sup>	4,125	4,125	1,516
		Secured First Lien Debt (11.0%, Due 4/2016) <sup>(C)(F)</sup>	4,053	4,053	1,489
				9,178	3,373
Southern Petroleum Laboratories, Inc.	Oil and gas	Secured Second Lien Debt (11.5%, Due 1/2020) <sup>(D)</sup>	8,000	8,000	8,000
		Preferred Stock (4,135,127 shares) <sup>(F)(H)</sup>		831	1,826
				8,831	9,826
Travel Sentry, Inc.	Diversified/conglomerate service	Secured First Lien Debt (9.5%, Due 12/2021) <sup>(D)</sup>	10,000	10,000	9,964
Triple H Food Processors	Beverage, food and tobacco	Secured First Lien Line of Credit, \$1,500 available (7.8%, Due 8/2018) <sup>(D)</sup>			
		Secured First Lien Debt (9.8%, Due 8/2020) <sup>(D)</sup>	7,700	7,700	7,767
		Common Stock (250,000 units) <sup>(F)(H)</sup>		250	633
				7,950	8,400
TWS Acquisition Corporation	Healthcare, education and childcare	Secured First Lien Line of Credit, \$1,500 available (9.0%, Due 7/2017) <sup>(D)</sup>			
		Secured First Lien Debt (9.0%, Due 7/2020) <sup>(D)</sup>	10,000	10,000	10,100
				10,000	10,100

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<b>Company<sup>(A)</sup></b>	<b>Industry</b>	<b>Investment<sup>(B)</sup></b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(N)</sup> (Continued):</b>					
United Flexible, Inc.	Diversified/conglomerate manufacturing	Secured Second Lien Debt (10.5%, 2.0% PIK,			
		Due 2/2022) <sup>(D)</sup>	17,544	17,544	17,017
		Preferred Stock (260 shares) <sup>(F)(H)</sup>		260	287
		Common Stock (538 shares) <sup>(F)(H)</sup>		9	
				17,813	17,304
Vision Government Solutions, Inc.	Diversified/conglomerate service	Secured First Lien Line of Credit, \$0 available (7.5%, Due 1/2017) <sup>(D)</sup>	1,450	1,450	1,331
		Secured First Lien Delayed Draw Term Loan, \$1,300 available (10.0%, Due 1/2017) <sup>(D)(G)</sup>	1,200	1,200	1,084
		Secured First Lien Debt (9.8%, Due 1/2017) <sup>(D)</sup>	9,000	9,000	8,130
				11,650	10,545
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, \$1,125 available (8.0%, Due 4/2017) <sup>(D)</sup>	1,875	1,875	1,758
		Secured First Lien Debt (8.0%, Due 3/2019) <sup>(D)</sup>	12,000	12,000	11,253
		Secured First Lien Debt (12.0%, Due 3/2019) <sup>(D)</sup>	7,000	7,000	6,475
		Preferred Stock (1,000 shares) <sup>(F)(H)</sup>		617	144
				21,492	19,630
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Debt (10.5%, Due 1/2017) <sup>(D)</sup>	4,000	4,000	4,000
				408	1,275

		Common Stock (58,333 shares) <sup>(F)(H)</sup>			
				4,408	5,275
<b>Subtotal</b>	<b>Non-Control/Non-Affiliate Proprietary Investments</b>			<b>\$ 227,582</b>	<b>\$ 207,679</b>
<b>Syndicated Investments:</b>					
Autoparts Holdings Limited	Automobile	Secured Second Lien Debt (11.0%, Due 1/2018) <sup>(E)</sup>	\$ 700	\$ 698	\$ 504
NetSmart Technologies, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.5%, Due 10/2023) <sup>(E)</sup>	2,000	1,951	2,000
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.3%, Due 7/2020) <sup>(E)</sup>	4,000	3,990	3,160
PLATO Learning, Inc.	Healthcare, education and childcare	Unsecured Debt (10.0% PIK, Due 6/2020) <sup>(D)(G)</sup>	\$ 2,927	\$ 2,885	\$ 2,924
		Common Stock (21,429 shares) <sup>(F)(H)</sup>		2,637	
				5,522	2,924

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<b>Company<sup>(A)</sup></b>	<b>Industry</b>	<b>Investment<sup>(B)</sup></b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(N)</sup> (Continued):</b>					
PSC Industrial Holdings Corp.	Diversified/conglomerate service	Secured Second Lien Debt (9.3%, Due 12/2021) <sup>(E)</sup>	3,500	3,441	3,307
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019) <sup>(E)</sup>	2,000	1,976	1,648
SourceHOV LLC	Finance	Secured Second Lien Debt (11.5%, Due 4/2020) <sup>(E)</sup>	5,000	4,845	2,649
The Active Network, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021) <sup>(E)</sup>	1,000	996	983
Vertellus Specialties Inc.	Chemicals, plastics and rubber	Secured First Lien Debt (10.5%, Due 10/2019) <sup>(E)(I)</sup>	3,940	3,837	2,640
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021) <sup>(E)</sup>	4,500	4,478	3,915
W3 Co.	Oil and gas	Secured Second Lien Debt (9.3%, Due 9/2020) <sup>(E)</sup>	499	495	200
<b>Subtotal Non-Control/Non-Affiliate Syndicated Investments</b>				<b>\$ 32,229</b>	<b>\$ 23,930</b>
<b>Total Non-Control/Non-Affiliate Investments (represented 75.1% of total investments at fair value)</b>				<b>\$ 259,811</b>	<b>\$ 231,609</b>
<b>AFFILIATE INVESTMENTS<sup>(O)</sup> :</b>					
<b>Proprietary Investments:</b>					
Edge Adhesives Holdings LLC <sup>(T)</sup>	Diversified/conglomerate manufacturing	Secured First Lien Debt (12.5%, Due 2/2019) <sup>(D)</sup>	\$ 6,200	\$ 6,200	\$ 5,983
		Secured First Lien Debt (13.8%, Due 2/2019) <sup>(D)</sup>	1,600	1,600	1,548
		Preferred Stock (2,516 units) <sup>(F)(H)</sup>		2,516	
				10,316	7,531
FedCap Partners LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units, \$0 Uncalled Commitment) <sup>(H)(L)(S)</sup>		1,634	1,265

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Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 2/2021) <sup>(D)</sup>	6,000	6,000	5,940
		Secured Second Lien Debt (12.0%, Due 2/2021) <sup>(D)</sup>	8,000	8,000	7,920
		Common Stock (152,603 shares) <sup>(F)(H)</sup>		1,856	1,640
				15,856	15,500
LWO Acquisitions Company LLC	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, \$0 available (6.5%, Due 12/2017) <sup>(D)</sup>	2,450	2,450	2,301
		Secured First Lien Debt (9.5%, Due 12/2019) <sup>(D)</sup>	10,632	10,632	7,838
		Common Units (921,000 units) <sup>(F)(H)</sup>		921	
				14,003	10,139
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Debt (8.0%, Due 2/2019) <sup>(F)</sup>	\$ 6,954	\$ 6,954	\$ 6,954
		Secured First Lien Line of Credit, \$0 available (6.0%, 3% PIK, Due 12/2016) <sup>(F)(G)</sup>	4,594	4,594	4,594
		Secured First Lien Debt (8.0%, 4.0% PIK, Due 12/2016) <sup>(C)(F)(G)</sup>	13,668	13,668	10,542
		Secured First Lien Mortgage Note (Due 12/2017) <sup>(F)(Q)</sup>	7,704	7,704	
		Preferred Stock (4,999,000 shares) <sup>(F)(H)(K)</sup>		4,999	
		Common Stock (2,000,000 shares) <sup>(F)(H)</sup>		370	
				38,289	22,090
<b>Subtotal Affiliate Proprietary Investments</b>				<b>\$ 80,098</b>	<b>\$ 56,525</b>

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Company <sup>(A)</sup>	Industry	Investment <sup>(B)</sup>	Principal	Cost	Fair Value
AFFILIATE INVESTMENTS <sup>(O)</sup> (Continued):					
Syndicated Investments:					
Targus Cayman HoldCo Limited	Textiles and leather	Secured First Lien Debt (15.0% PIK, Due 12/2019) <sup>(D)(G)</sup>	2,198	2,198	2,182
		Common Stock (526,141 shares) <sup>(F)(H)</sup>		2,343	1,988
				4,541	4,170
Total Affiliate Investments (represented 19.7% of total investments at fair value)				\$ 84,639	\$ 60,695
CONTROL INVESTMENTS <sup>(P)</sup> :					
Proprietary Investments:					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 2/2019) <sup>(F)</sup>	\$ 6,305	\$ 6,305	\$ 6,305
		Common Stock (33,321 shares) <sup>(F)(H)</sup>		580	2,817
				\$ 6,885	\$ 9,122
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, \$672 available (8.0%, Due 5/2016) <sup>(F)(G)(R)</sup>	1,328	1,328	1,328
		Secured First Lien Debt (8.0%, Due 5/2016) <sup>(F)(G)(R)</sup>	5,000	5,000	1,614
		Secured First Lien Debt (4.8%, Due 5/2016) <sup>(F)(I)(R)</sup>	11,948	11,948	3,858
		Secured First Lien Debt (5.5%, Due 5/2016) <sup>(C)(F)(I)(R)</sup>	10,700	10,700	
		Preferred Stock (15,270 shares) <sup>(F)(H)(K)</sup>		5,275	
		Common Stock (1,867 shares) <sup>(F)(H)</sup>		740	

&amp;nb