GLADSTONE CAPITAL CORP
Form 10-Q
February 05, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2017

OR

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

COMMISSION FILE NUMBER: 814-00237

GLADSTONE CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND	**54-2040781**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Fat-the
1521 WESTBRANCH DRIVE, SUITE 100

MCLEAN, VIRGINIA	**22102**
(Address of principal executive office)	**(Zip Code)**

(703) 287-5800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year,

if changed since last report)

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

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

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

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

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

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

The number of shares of the issuer s common stock, $0.001 par value per share, outstanding as of February 2, 2018 was 26,632,182.

GLADSTONE CAPITAL CORPORATION

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	December 31, 2017	September 30, 2017
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$357,481** and $318,952, respectively)	**$ 330,297**	$ 290,860
Affiliate investments (Cost of **$50,036** and $49,868, respectively)	**43,856**	42,648
Control investments (Cost of **$42,615** and $42,615 respectively)	**18,277**	18,865
Cash and cash equivalents	**4,503**	5,012
Restricted cash and cash equivalents	**228**	258
Interest receivable, net	**2,167**	1,699
Due from custodian	**7,418**	3,086
Deferred financing fees	**668**	853
Other assets, net	**2,308**	2,579
TOTAL ASSETS	**$ 409,722**	$ 365,860
LIABILITIES		
Borrowings, at fair value (Cost of **$130,500** and $93,000, respectively)	**$ 130,833**	$ 93,115
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **5,440,000** and 5,440,000 shares authorized, respectively, and **2,070,000** and 2,070,000 shares issued and outstanding, respectively	**49,870**	49,849
Accounts payable and accrued expenses	**511**	522
Interest payable	**330**	264
Fees due to Adviser(A)	**1,291**	1,292
Fee due to Administrator(A)	**272**	244
Other liabilities	**898**	924
TOTAL LIABILITIES	**$ 184,005**	$ 146,210
Commitments and contingencies(B)		
NET ASSETS		
Common stock, $0.001 par value, **44,560,000** and 44,560,000 shares authorized, respectively, and **26,632,182** and 26,160,684 shares issued and outstanding, respectively	**$ 27**	$ 26
Capital in excess of par value	**352,540**	348,248
Cumulative net unrealized depreciation of investments	**(57,702)**	(59,062)
Cumulative net unrealized depreciation of other	**(333)**	(115)
Over distributed net investment income	**(207)**	(139)

Accumulated net realized losses		**(68,608)**		(69,308)
TOTAL NET ASSETS	**$**	**225,717**	$	219,650
NET ASSET VALUE PER COMMON SHARE	**$**	**8.48**	$	8.40

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

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

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	**$ 7,684**	$ 5,809
Affiliate investments	**1,111**	1,162
Control investments	**687**	445
Cash and cash equivalents	**12**	2
Total interest income (excluding PIK interest income)	**9,494**	7,418
PIK interest income		
Non-Control/Non-Affiliate investments	**1,106**	997
Affiliate investments	**70**	218
Total PIK interest income	**1,176**	1,215
Total interest income	**10,670**	8,633
Success fee income		
Non-Control/Non-Affiliate investments		391
Affiliate investments		1,142
Total success fee income		1,533
Other income	**189**	(192)
Total investment income	**10,859**	9,974
EXPENSES		
Base management fee(A)	**1,676**	1,378
Loan servicing fee(A)	**1,186**	983
Incentive fee(A)	**1,373**	1,293
Administration fee(A)	**272**	300
Interest expense on borrowings	**1,231**	556
Dividend expense on mandatorily redeemable preferred stock	**776**	1,029
Amortization of deferred financing fees	**248**	273
Professional fees	**255**	236
Other general and administrative expenses	**292**	401
Expenses, before credits from Adviser	**7,309**	6,449
Credit to base management fee - loan servicing fee(A)	**(1,186)**	(983)

Credit to fees from Adviser - other(A)	**(841)**	(699)
Total expenses, net of credits	**5,282**	4,767
NET INVESTMENT INCOME	**5,577**	5,207
NET REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized (loss) gain:		
Non-Control/Non-Affiliate investments	**602**	3,882
Affiliate investments		(2,330)
Control investments	**(28)**	(5,000)
Other	**(133)**	
Total net realized gain (loss)	**441**	(3,448)
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	**908**	(5,867)
Affiliate investments	**1,040**	706
Control investments	**(588)**	4,106
Other	**(218)**	212
Total net unrealized appreciation (depreciation)	**1,142**	(843)
Net realized and unrealized gain (loss)	**1,583**	(4,291)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 7,160**	$ 916

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$**	**0.21**	$	0.21
Net increase in net assets resulting from operations	**$**	**0.27**	$	0.04
Distributions declared and paid per common share	**$**	**0.21**	$	0.21
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted		**26,522,788**		24,778,970

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended December 31, 2017	2016
OPERATIONS		
Net investment income	**$ 5,577**	$ 5,207
Net realized gain (loss) on investments	**574**	(3,448)
Realized loss on other	**(133)**	
Net unrealized appreciation (depreciation) of investments	**1,360**	(1,055)
Net unrealized (depreciation) appreciation of other	**(218)**	212
Net increase in net assets resulting from operations	**7,160**	916
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(5,577)**	(5,207)
Net decrease in net assets from distributions	**(5,577)**	(5,207)
CAPITAL TRANSACTIONS		
Issuance of common stock	**4,567**	17,344
Discounts, commissions and offering costs for issuance of common stock	**(83)**	(875)
Net increase in net assets resulting from capital transactions	**4,484**	16,469
NET INCREASE IN NET ASSETS	**6,067**	12,178
NET ASSETS, BEGINNING OF PERIOD	**219,650**	201,207
NET ASSETS, END OF PERIOD	**$ 225,717**	$ 213,385

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 7,160**	$ 916
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchase of investments	**(56,938)**	(20,047)
Principal repayments on investments	**18,569**	42,234
Net proceeds from sale of investments	**1,274**	8,219
Increase in investments due to paid-in-kind interest or other	**(983)**	(1,095)
Net change in premiums, discounts and amortization	**(45)**	54
Net realized (gain) loss on investments	**(574)**	3,448
Net unrealized (appreciation) depreciation of investments	**(1,360)**	1,055
Net unrealized appreciation (depreciation) of other	**218**	(213)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	**30**	355
Amortization of deferred financing fees	**248**	273
(Increase) decrease in interest receivable, net	**(468)**	380
Increase in due from custodian	**(4,332)**	(779)
Decrease (increase) in other assets, net	**256**	(3,495)
Decrease in accounts payable and accrued expenses	**(11)**	(405)
Increase (decrease) in interest payable	**66**	(91)
Decrease in fees due to Adviser[(A)]	**(1)**	(11)
Increase in fee due to Administrator[(A)]	**28**	18
(Decrease) increase in other liabilities	**(26)**	650
Net cash (used in) provided by operating activities	**(36,889)**	31,466
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**61,100**	24,200
Repayments on borrowings	**(23,600)**	(67,300)
Deferred financing fees	**(42)**	
Proceeds from issuance of common stock	**4,567**	17,344
Discounts, commissions and offering costs for issuance of common stock	**(68)**	(875)
Distributions paid to common stockholders	**(5,577)**	(5,207)
Net cash provided by (used in) financing activities	**36,380**	(31,838)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(509)**	(372)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**5,012**	6,152
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 4,503**	$ 5,780

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	**Principal/ Shares/ Units**(J)(X)	**Cost**	**Fair Value**
NON-CONTROL/NON-AFFILIATE INVESTMENTS(M) **146.3%**			
Secured First Lien Debt 74.8%			
Automobile 1.5%			
Meridian Rack & Pinion, Inc. (S) Term Debt (L + 11.5%, 13.5% Cash, Due 12/2018) (C)	$ 4,140	$ 4,140	$ 3,312
Beverage, Food, and Tobacco 3.0%			
Triple H Food Processors, LLC - Line of Credit, $1,500 available (L + 6.8%, 8.3% Cash, Due 8/2018)(C)			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 9.8% Cash, Due 8/2020)(C)	6,600	6,600	6,666
		6,600	**6,666**
Buildings and Real Estate 0.9%			
GFRC Holdings, LLC Line of Credit, $165 available (L + 8.0%, 9.6% Cash, Due 9/2018)(E)	1,035	1,035	1,035
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.6% Cash, Due 9/2018)(E)	1,000	1,000	1,000
		2,035	**2,035**
Diversified/Conglomerate Service 19.7%			
IA Tech, LLC Term Debt (L + 11.0%, 12.6% Cash, Due 6/2021)(C)	23,000	23,000	23,690
Travel Sentry, Inc. Term Debt (L + 8.0%, 9.7% Cash, Due 12/2021)(C)(U)	8,902	8,902	9,192
Vision Government Solutions, Inc. Line of Credit, $0 available (L + 8.8%, 10.3% Cash, Due 1/2019)(C)	1,450	1,450	1,431
Vision Government Solutions, Inc. Delayed Draw Term Loan, $900 available (10.0% Cash, Due 1/2019)(C)(F)	1,600	1,600	1,511
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.3% Cash, Due 1/2019)(C)	9,000	9,000	8,531
		43,952	**44,355**
Healthcare, education, and childcare 8.7%			
EL Academies, Inc. Line of Credit, $2,000 available (L + 8.8%, 10.3% Cash, Due 8/2020)(C)			

EL Academies, Inc. Delayed Draw Term Loan, $10,000 available (L + 8.8%, 10.3% Cash, Due 8/2022)(C)			
EL Academies, Inc. Term Debt (L + 8.8%, 10.3% Cash, Due 8/2022)(C)	12,000	12,000	12,030
TWS Acquisition Corporation Term Debt (L + 8.0%, 9.6% Cash, Due 7/2020)(C)	7,353	7,353	7,537
		19,353	**19,567**
Machinery 3.0%			
Arc Drilling Holdings LLC Line of Credit, $1,000 available (L + 8.0%, 9.6% Cash, Due 11/2020)(I)			
Arc Drilling Holdings LLC Term Debt (L + 9.5%, 11.1% Cash, Due 11/2022)(I)	5,880	5,880	5,880
Precision International, LLC Term Debt (10.0% PIK, Due 9/2021)(C)(F)	830	830	822
		6,710	**6,702**
Oil and Gas 16.9%			
Impact! Chemical Technologies, Inc. Line of Credit, $2,164 available (L + 8.8%, 10.3% Cash, Due 12/2020)(I)	336	336	336
Impact! Chemical Technologies, Inc. Term Debt (L + 8.8%, 10.8% Cash, Due 12/2020)(I)	20,000	20,000	20,000
WadeCo Specialties, Inc. Line of Credit, $2,425 available (L + 7.0%, 8.6% Cash, Due 4/2018)(C)	575	575	580
WadeCo Specialties, Inc. Term Debt (L + 7.0% 8.6% Cash, Due 3/2019)(C)	10,191	10,191	10,292
WadeCo Specialties, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019)(C)	7,000	7,000	7,035
		38,102	**38,243**
Personal and Non-Durable Consumer Products (Manufacturing Only) 2.8%			
Canopy Safety Brands, LLC Line of Credit, $500 available (L + 6.5%, 8.1% Cash, Due 9/2019)(C)			
Canopy Safety Brands, LLC Term Debt (L + 9.5%, 11.1% Cash, Due 9/2021)(C)	6,500	6,500	6,598
		6,500	**6,598**
Printing and Publishing 0.0%			
Chinese Yellow Pages Company Line of Credit, $0 available (PRIME + 4.0%, 8.5% Cash, Due 2/2015)(E)(V)	107	**107**	
Telecommunications 18.3%			
Applied Voice & Speech Technologies, Inc. Term Debt (L + 9.3%, 10.8% Cash, Due 10/2022)(I)	11,000	11,000	11,000
B+T Group Acquisition Inc.(S) Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019)(C)	6,000	6,000	5,978
NetFortris Corp. Term Debt (L + 8.4%, 10.0% Cash, Due 2/2021)(C)	24,000	24,000	24,420
		41,000	**41,398**
Total Secured First Lien Debt		**$ 168,499**	**$ 168,876**

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Secured Second Lien Debt 65.1%			
Automobile 2.2%			
Sea Link International IRB, Inc. Term Debt (11.3% Cash, Due 3/2023)(C)(F)	$ 5,000	$ **4,976**	$ **5,031**
Beverage, Food, and Tobacco 3.0%			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 12.1% Cash, Due 1/2021)(C)	6,750	**6,750**	**6,826**
Cargo Transportation 5.9%			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020)(C)	13,000	**13,000**	**13,098**
Chemicals, Plastics, and Rubber 0.4%			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.6% Cash, Due 10/2021)(C)	1,099	**1,099**	**922**
Diversified/Conglomerate Manufacturing 9.6%			
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021)(C)(H)	5,235	5,235	3,350
Alloy Die Casting Co.(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021)(C)(H)	75	75	48
Alloy Die Casting Co.(S) Term Debt (Due 4/2021)(C)(P)	390	390	252
United Flexible, Inc. Term Debt (L + 9.5%, 11.1% Cash, 2.0% PIK, Due 2/2022)(C)	18,085	18,005	18,107
		23,705	**21,757**
Diversified/Conglomerate Service 20.5%			
DigiCert Holdings, Inc. Term Debt (L + 8.0%, 9.6% Cash, Due 10/2025)(D)	5,000	4,975	5,013
Gray Matter Systems, LLC Delayed Draw Term Loan, $2,000 available (12.0% Cash, Due 11/2023)(F)(I)			
Gray Matter Systems, LLC Term Debt (12.0% Cash, Due 11/2023)(F)(I)	7,500	7,500	7,500
Keystone Acquisition Corp. Term Debt (L + 9.3%, 10.9% Cash, Due 5/2025)(D)(U)	4,000	3,924	3,980
LDiscovery, LLC Term Debt (L + 10.0%, 11.6% Cash, Due 12/2023)(D)	5,000	4,820	4,000
Red Ventures, LLC Term Debt (L + 8.0%, 9.6% Cash, Due 11/2025)(D)	3,625	3,566	3,625
TapRoot Partners, Inc. Term Debt (L + 10.3%, 11.8% Cash, Due 10/2022)(C)	22,000	22,000	22,220
		46,785	**46,338**

Healthcare, education, and childcare 8.0%			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 9.8% Cash, Due 12/2023)(D)	3,000	2,957	2,970
Merlin International, Inc. Term Debt (L + 10.0%, 11.6% Cash, Due 8/2022)(C)	10,000	10,000	10,225
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 11.1% Cash, Due 10/2023)(D)	3,660	3,610	3,660
New Trident Holdcorp, Inc. Term Debt (L + 10.0%, 11.7% PIK, Due 7/2020)(D)(U)	4,000	4,000	1,191
		20,567	**18,046**
Home and Office Furnishings, Housewares and Durable Consumer Products 4.5%			
Belnick, Inc. Term Debt (11.0% Cash, Due 8/2023)(C)(F)	10,000	**10,000**	**10,150**
Hotels, Motels, Inns, and Gaming 3.2%			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.6% Cash, 3.0% PIK, Due 6/2023)(C)	7,199	**7,199**	**6,938**
Oil and Gas 7.0%			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 11.9% PIK, Due 4/2020)(C)	17,245	17,128	10,766
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3%, 10.8% PIK, Due 4/2020)(C)	7,945	7,891	4,954
		25,019	**15,720**
Telecommunications 0.4%			
Neustar, Inc. Term Debt (L + 8.0%, 9.6% Cash, Due 8/2025)(D)	1,000	**1,000**	**1,008**
Textiles and Leather 0.4%			
ABG Intermediate Holdings 2 LLC Term Debt (L + 7.8%, 9.4% Cash, Due 9/2025)(D)(U)	1,000	**1,000**	**1,010**
Total Secured Second Lien Debt		**$ 161,100**	**$ 146,844**
Unsecured Debt 1.5%			
Healthcare, education, and childcare 1.5%			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020)(C)(F)	$ 3,352	**$ 3,352**	**$ 3,356**
Preferred Equity 1.9%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. (S) Preferred Stock(E)(G)	1,449	**$ 1,449**	**$ 161**
Buildings and Real Estate 0.3%			
GFRC Holdings, LLC Preferred Stock(E)(G)	1,000	**1,025**	**674**

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Diversified/Conglomerate Manufacturing 0.3%			
Alloy Die Casting, Co.(S) Preferred Stock(E)(G)	2,192	2,192	
United Flexible, Inc. Preferred Stock(E)(G)	538	538	631
		2,730	**631**
Diversified/Conglomerate Service 0.2%			
Frontier Financial Group Inc. Preferred Stock(E)(G)	766	500	500
Frontier Financial Group Inc. Preferred Stock Warrant(E)(G)	168		
		500	**500**
Oil and Gas 0.8%			
Francis Drilling Fluids, Ltd. Preferred Equity Units(E)(G)	1,656	1,215	
WadeCo. Specialties, Inc. Preferred Stock(E)(G)	1,000	618	2,098
		1,833	**2,098**
Telecommunications 0.2%			
B+T Group Acquisition, Inc.(S) Preferred Stock(E)(G)(J)	5,503	1,799	
NetFortris Corp. Preferred Stock(E)(G)	1,250,000	125	375
		1,924	**375**
Total Preferred Equity		**$ 9,461**	**$ 4,439**
Common Equity 3.0%			
Aerospace and Defense 0.3%			
FedCap Partners, LLC Class A Membership Units ($0 Uncalled Commitment)(G)(K)(R)	80	**$ 1,634**	**$ 751**
Automobile 0.2%			
Sea Link International IRB, Inc. Common Equity Units(E)(G)	494,902	**495**	**378**
Beverage, Food, and Tobacco 0.2%			
The Mochi Ice Cream Company Common Stock(E)(G)	450	450	
Triple H Food Processors, LLC Common Stock(E)(G)	250,000	250	442

		700	**442**
Buildings and Real Estate 0.0%			
GFRC Holdings, LLC Common Stock Warrants(E)(G)	45.0%		
Cargo Transportation 0.0%			
AG Transportation Holdings, LLC Member Profit Participation(E)(G)	18.0%	1,000	
AG Transportation Holdings, LLC Profit Participation Warrants(E)(G)	12.0%	244	
		1,244	
Chemicals, Plastics, and Rubber 0.2%			
Vertellus Holdings LLC Common Stock Units(E)(G)	879,121	**3,017**	527
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting, Co.(S) Common Stock(E)(G)	270	18	
United Flexible, Inc. Common Stock(E)(G)	1,158	148	
		166	
Healthcare, education, and childcare 1.1%			
Edmentum Ultimate Holdings, LLC Common Stock(E)(G)	21,429	2,636	
EL Academies, Inc. Common Stock(E)(G)	500	500	432
Leeds Novamark Capital I, L.P. Limited Partnership Interest ($986 uncalled capital commitment)(G)(L)(R)	3.5%	2,010	2,098
		5,146	**2,530**
Machinery 0.7%			
Arc Drilling Holdings LLC Common Stock(I)(G)	16.7%	1,500	1,500
Precision International, LLC Membership Unit Warrant(E)(G)	33.3%		41
		1,500	**1,541**
Oil and Gas 0.1%			
Francis Drilling Fluids, Ltd. Common Equity Units(E)(G)	1,656	1	
W3, Co. Common Equity(D)(G)	435	499	131
		500	**131**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.2%			
Canopy Safety Brands, LLC Participation Warrant(E)(G)	1	500	325
Funko Acquisition Holdings, LLC(S) Common Units(G)(T)	67,873	166	157
		666	**482**
Telecommunications 0.0%			
NetFortris Corp. Common Stock Warrant(E)(G)	1	1	
Total Common Equity		**$ 15,069**	**$ 6,782**
Total Non-Control/Non-Affiliate Investments		**$ 357,481**	**$ 330,297**

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment[(A)(B)(W)(Y)]	Principal/ Shares/ Units[(J)(X)]	Cost	Fair Value
AFFILIATE INVESTMENTS[(N)] 19.4%			
Secured First Lien Debt 8.9%			
Diversified/Conglomerate Manufacturing 8.9%			
Edge Adhesives Holdings, Inc. [(S)] Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019)[(C)]	$ 6,200	$ 6,200	$ 5,781
Edge Adhesives Holdings, Inc. [(S)] Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019)[(C)]	1,600	1,600	1,500
LWO Acquisitions Company LLC Line of Credit, $0 available (L + 5.5%. 7.1% Cash, 2.0% PIK, Due 12/2019)[(C)]	2,762	2,761	2,555
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 10.1% Cash, 2.0% PIK, Due 12/2019)[(C)]	10,998	10,979	10,173
		21,540	**20,009**
Total Secured First Lien Debt		**$ 21,540**	**$ 20,009**
Secured Second Lien Debt 7.4%			
Diversified Natural Resources, Precious Metals and Minerals 7.4%			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)[(C)]	$ 6,000	$ 6,000	$ 5,820
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)[(C)]	8,000	8,000	7,760
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022)[(C)]	3,300	3,300	3,201
		17,300	**16,781**
Total Secured Second Lien Debt		**$ 17,300**	**$ 16,781**
Unsecured Debt 0.0%			
Diversified/Conglomerate Manufacturing 0.0%			
LWO Acquisitions Company LLC Term Debt (Due 12/2019)[(C)(P)]	$ 95	**$ 95**	**$ 88**
Preferred Equity 0.5%			
Diversified/Conglomerate Manufacturing 0.2%			
Edge Adhesives Holdings, Inc. [(S)] Preferred Stock[(E)(G)]	2,516	**$ 2,516**	**$ 385**
Diversified Natural Resources, Precious Metals and Minerals 0.3%			
Lignetics, Inc. Preferred Stock[(E)(G)]	40,000	**800**	**837**

Total Preferred Equity			**$ 3,316**	**$ 1,222**
Common Equity 2.6%				
Diversified/Conglomerate Manufacturing 0.0%				
LWO Acquisitions Company LLC	Common Units(E)(G)	921,000	**$ 921**	**$**
Diversified Natural Resources, Precious Metals and Minerals 0.5%				
Lignetics, Inc.	Common Stock(E)(G)	152,603	**1,855**	**1,126**
Textiles and Leather 2.1%				
Targus Cayman HoldCo, Ltd.	Common Stock(E)(G)	3,076,414	**5,009**	**4,630**
Total Common Equity			**$ 7,785**	**$ 5,756**
Total Affiliate Investments			**$ 50,036**	**$ 43,856**
CONTROL INVESTMENTS(O) 8.2%				
Secured First Lien Debt 3.3%				
Machinery 1.8%				
PIC 360, LLC	Term Debt (14.0%, Due 12/2017)(E)(F)	$ 4,000	**$ 4,000**	**$ 4,000**
Printing and Publishing 1.5%				
Sunshine Media Holdings	Line of Credit, $672 available (8.0% Cash, Due 5/2018)(E)(F)	1,328	1,328	1,328
Sunshine Media Holdings	Term Debt (8.0% Cash, Due 5/2018)(E)(F)(H)	5,000	3,525	585
Sunshine Media Holdings	Term Debt (L + 3.8%, 5.3% Cash, Due 5/2018)(E)(H)	11,948	8,401	1,397
Sunshine Media Holdings	Term Debt (L + 4.0%, 5.6% Cash, Due 5/2018)(E)(H)	10,700	10,700	
			23,954	**3,310**
Total Secured First Lien Debt			**$ 27,954**	**$ 7,310**
Secured Second Lien Debt 3.6%				
Automobile 3.6%				
Defiance Integrated Technologies, Inc.	Term Debt (L + 9.5%, 11.1% Cash, Due 8/2023)(E)	$ 8,065	**$ 8,065**	**$ 8,065**

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(W)(Y)	Principal/ Shares/ Units(J)(X)	Cost	Fair Value
Preferred Equity 0.0%			
Printing and Publishing 0.0%			
Sunshine Media Holdings Preferred Stock(E)(G)(J)	15,270	$ 5,275	$
Common Equity 1.3%			
Automobile 1.2%			
Defiance Integrated Technologies, Inc. Common Stock(E)(G)	33,321	$ 580	$ 2,643
Machinery 0.1%			
PIC 360, LLC Common Equity Units(E)(G)	1	1	259
Printing and Publishing 0.0%			
Sunshine Media Holdings Common Stock(E)(G)	1,867	740	
Sunshine Media Holdings Common Stock Warrants(E)(G)	72		
		740	
Total Common Equity		$ 1,321	$ 2,902
Total Control Investments		$ 42,615	$ 18,277
TOTAL INVESTMENTS 173.9%		$ 450,132	$ 392,430

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $348.9 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings.* Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2017, our investments in FedCap Partners, LLC (FedCap), Leeds Novamark Capital I, L.P. (Leeds), and Funko Acquisition Holdings, LLC (Funko) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.8% of total investments, at fair value, as of December 31, 2017.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.56% as of December 31, 2017. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

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

(D) Fair value was based on the indicative bid price on or near December 31, 2017, offered by the respective syndication agent s trading desk.

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

(F) Debt security has a fixed interest rate.

(G) Security is non-income producing.

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

(I) New investment valued at cost, as it was determined that the price paid during the quarter ended December 31, 2017 best represents fair value as of December 31, 2017.

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

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

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

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

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

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

(P) Debt security does not have a stated interest rate that is payable thereon.

(Q) Reserved.

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

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

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

(U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 1.69% as of December 31, 2017.

(V) The cash interest rate on this investment was indexed to the U.S. Prime Rate (PRIME), which was 4.50% as of December 31, 2017.

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

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

(Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of December 31, 2017.

(Z) Investment formerly known as HB Capital Resources, Ltd.

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

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

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

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

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting, Co.(S) Common Stock(E)(G)	270	18	
United Flexible, Inc. Common Stock(E)(G)	1,158	148	
		166	
Healthcare, education, and childcare 0.9%			
Edmentum Ultimate Holdings, LLC Common Stock(E)(G)	21,429	2,636	
EL Academies, Inc. Common Stock(G)(I)	500	500	500
Leeds Novamark Capital I, L.P. Limited Partnership Interest ($1,581 uncalled capital commitment)(G)(L)(R)	3.5%	1,628	1,645
		4,764	**2,145**
Machinery 0.0%			
Precision International, LLC Membership Unit Warrant(E)(G)	33.3%		
Oil and Gas 0.1%			
Francis Drilling Fluids, Ltd. Common Equity Units(E)(G)	1,656	1	
W3, Co. Common Equity(D)(G)	435	499	139
		500	**139**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Canopy Safety Brands, LLC Participation Warrant(E)(G)	1	500	259
Funko Acquisition Holdings, LLC(S) Common Stock(E)(G)	975		
		500	**259**
Telecommunications 0.0%			
NetFortris Corp. Common Stock Warrant(E)(G)	1	**1**	
Total Common Equity		**$ 13,022**	**$ 4,464**
Total Non-Control/Non-Affiliate Investments		**$ 318,952**	**$ 290,860**

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

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

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

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $317.4 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings.* Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2017, our investments in FedCap and Leeds are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.7% of total investments, at fair value, as of September 30, 2017.

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

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

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

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

(F) Debt security has a fixed interest rate.

(G) Security is non-income producing.

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

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

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

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

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

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

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

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

(P) Debt security does not have a stated interest rate that is payable thereon.

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

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

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

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

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

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

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

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

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

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

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

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GLADSTONE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 2017

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

NOTE 1. ORGANIZATION

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

Gladstone Business Loan, LLC (Business Loan), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio of investments in connection with our line of credit. The financial statements of Business Loan are consolidated with ours. We also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission s (SEC) Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 12 Unconsolidated Significant Subsidiaries for additional information regarding our unconsolidated significant subsidiaries.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three months ended December 31, 2017, are not necessarily indicative of results that ultimately may be achieved for the fiscal year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, as filed with the SEC on November 20, 2017.

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

Use of Estimates

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

Reclassifications

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

Investment Valuation Policy

Accounting Recognition

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

Board Responsibility

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

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

Use of Third Party Valuation Firms

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

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

Policy and other facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our total enterprise value, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Valuation Committee and Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value, whether it is reasonable in light of the Policy, as well as other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

Valuation Techniques

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

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company s ability to make payments and other specific portfolio company attributes; the earnings of the portfolio

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

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

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

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

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

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

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

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

Revenue Recognition

Interest Income Recognition

Interest income, including the amortization of premiums, acquisition costs and amendment fees, the accretion of original issue discounts (OID), and paid-in-kind (PIK) interest, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. At December 31, 2017, certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Corp., were on non-accrual status with an aggregate debt cost basis of approximately $27.9 million, or 6.8% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $5.4 million, or 1.5% of the fair value of all debt investments in our portfolio. At September 30, 2017, certain loans to two portfolio companies, Sunshine Media Holdings and Alloy Die Casting Corp., were on non-accrual status with an aggregate debt cost basis of approximately $27.9 million, or 7.5% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $5.6 million, or 1.7% of the fair value of all debt investments in our portfolio.

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

As of each of December 31, 2017 and September 30, 2017, we had six OID loans, primarily from the syndicated loans in our portfolio. We recorded OID income of $0.1 million and $20 for the three months ended December 31, 2017 and 2016, respectively. The unamortized balance of OID investments as of December 31, 2017 and September 30, 2017 totaled $0.4 million. As of December 31, 2017 and September 30, 2017, we had seven and six investments which had a PIK interest component, respectively. We recorded PIK interest income of $1.2 million for each of the three months ended December 31, 2017, and 2016. We collected $0 and $1.0 million of PIK interest in cash for the three months ended December 31, 2017 and 2016, respectively.

Success Fee Income Recognition

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

Dividend Income Recognition

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

Deferred Financing and Offering Costs

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

Related Party Fees

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

We pay separately for administrative services pursuant to the Administration Agreement. These administrative fees are accrued at the

end of the quarter when the services are performed and generally paid the following quarter. Refer to Note 4 *Related Party Transactions* for additional information regarding these related party fees and agreements.

Recent Accounting Pronouncements

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

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

In March 2016, the FASB issued Accounting Standards Update 2016-06, *Contingent Put and Call Options in Debt Instruments* (ASU 2016-06), which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related. The adoption of ASU 2016-06 did not have a material impact on our financial position, results of operations or cash flows. ASU 2016-06 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those fiscal years, and we adopted ASU 2016-06 effective October 1, 2017.

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

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The adoption of ASU 2015-02 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-02 effective April 1, 2016. In October 2016, the FASB issued Accounting Standards Update 2016-17, *Interests Held through Related Parties That Are under Common Control* (ASU 2016-17), which amends the consolidation guidance in ASU 2015-02 regarding the treatment of indirect interests held through related parties that are under common control. The adoption of ASU 2016-17 did not have a material impact on our financial position, results of operations or cash flows. ASU 2016-17 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those years, and we adopted ASU 2015-02 effective October 1, 2017.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which was amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), and in December 2016 by FASB Accounting Standards Update 2016-20, *Technical Corrections and Improvements to Topic 606* (ASU

2016-20). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We continue to assess the impact of ASU 2014-09, as amended, and expect to identify similar performance obligations as compared to existing guidance. As a result, we do not anticipate a material change in the timing of revenue recognition or a material impact on our financial position, results of operations, or cash flows from adopting this standard.

NOTE 3. INVESTMENTS

Fair Value

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

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

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

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

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

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

We transfer investments in and out of Level 1, 2 and 3 of the valuation hierarchy as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three months ended December 31, 2017, we transferred our investment in Funko from Level 3 to Level 2 as a result of the initial public offering of Funko, Inc. in November 2017 due to convertibility of our investment into shares of Funko, Inc. During the three months ended December 31, 2016, there were no investments transferred into or out of Levels 1, 2 or 3 of the valuation hierarchy.

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

		Fair Value Measurements		
	Fair Value	**Quoted Prices in Active**	**Significant Other**	**Significant Unobservable**

		Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Inputs (Level 3)
As of December 31, 2017:				
Secured first lien debt	$ 196,195	$	$	$ 196,195
Secured second lien debt	171,690			171,690
Unsecured debt	3,444			3,444
Preferred equity	5,661			5,661
Common equity/equivalents	12,591 (B)		157 (A)	12,434
Total Investments at December 31, 2017	**$ 389,581**	**$**	**$ 157**	**$ 389,424**

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2017:				
Secured first lien debt	$ 173,896	$	$	$ 173,896
Secured second lien debt	155,249			155,249
Unsecured debt	3,324			3,324
Preferred equity	6,561			6,561
Common equity/equivalents	13,343 (B)			13,343
Total Investments at September 30, 2017	$ 352,373	$	$	$ 352,373

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

(B) Excludes our investments in FedCap and Leeds with fair values of $0.8 million and $2.1 million, respectively, as of December 31, 2017 and fair values of $0.8 million and $1.6 million, respectively, as of September 30, 2017. FedCap and Leeds were valued using net asset value as a practical expedient.

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

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	December 31, 2017	**September 30, 2017**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 168,876**	$ 147,447
Secured second lien debt	**146,844**	129,890
Unsecured debt	**3,356**	3,324
Preferred equity	**4,439**	5,735
Common equity/equivalents	**3,776** (A)	2,068 (B)
Total Non-Control/Non-Affiliate Investments	**$ 327,291**	$ 288,464
Affiliate Investments		
Secured first lien debt	**$ 20,009**	$ 18,821
Secured second lien debt	**16,781**	17,294
Unsecured debt	**88**	
Preferred equity	**1,222**	826
Common equity/equivalents	**5,756**	5,707
Total Affiliate Investments	**$ 43,856**	$ 42,648
Control Investments		
Secured first lien debt	**$ 7,310**	$ 7,628
Secured second lien debt	**8,065**	8,065
Common equity/equivalents	**2,902**	3,172
Total Control Investments	**$ 18,277**	$ 18,865
Total Investments at Fair Value Using Level 3 Inputs	**$ 389,424**	$ 349,977

(A) Excludes our investments in FedCap, Leeds, and Funko with fair values of $0.8 million, $2.1 million, and $0.2 million, respectively, as of December 31, 2017. FedCap and Leeds were valued using net asset value as a practical expedient and Funko was valued using Level 2 inputs.

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

In accordance with ASC 820, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of December 31, 2017 and September 30, 2017. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity related calculations for the particular input.

Quantitative Information about Level 3 Fair Value Measurements

	December 31, 2017	**September 30, 2017**	**Valuation Techniques/ Methodologies**	**Unobservable Input**	**Range / Weighted Average as of December 31, 2017**	**Range / Weighted Average as of September 30, 2017**
ured first lien debt[A]	**$ 186,850**	$ 136,272	Yield Analysis	Discount Rate	7.6% - 22.9% /11.6%	8.0% - 25.0% / 12.5%
	9,345	37,624	TEV	EBITDA multiple	3.1x 3.1x /3.1x	3.2x 10.1x / 8.2x
				EBITDA	$1,408 - $1,408 / $1,408	$1,378 - $9,420 / $6,67
				Revenue multiple	0.3x 0.4x / 0.3x	0.3x 0.4x / 0.3x
				Revenue	$6,219 - $11,035 /$10,719	$6,934 - $12,094 / $11,7
ured second lien t[B]	**137,168**	122,165	Yield Analysis	Discount Rate	10.7% - 23.9% /14.4%	10.8% - 23.3% /14.0%
	25,266	22,607	Market Quote	IBP	80.0% - 101.0% / 96.1%	84.5% - 101.5% /97.2%
	9,256	10,477	TEV	EBITDA multiple	4.6x 6.4x /5.2x	4.8x 6.6x /5.4x
				EBITDA	$3,004 - $70,276 / $25,308	$3,000 - $73,650 / $26,4
ecured debt	**3,444**	3,324	Yield Analysis	Discount Rate	10.0% - 13.9% /10.1%	10.0% - 10.0% /10.0%
ferred and common ity / ivalents[C][D]	**17,964**	17,370	TEV	EBITDA multiple	3.1x 9.7x / 6.0x	3.2x 10.1x / 6.1x
				EBITDA	$301 -$30,531 /$12,270	$890 -$84,828/ $12,83
				Revenue multiple	0.3x 1.7x / 0.5x	0.3x 6.5 x /0.7x
				Revenue	$6,219 -$513,299 /$130,351	$2,317 -$503,620/ $128,
	131	138	Market Quotes	IBP	26.2% - 26.2% /26.2%	27.9% - 27.9% /27.9%
al Level 3 estments, at Fair ue	**$ 389,424**	$ 349,977				

(A) Fair value as of December 31, 2017 includes three new proprietary debt investments totaling $37.2 million, which were valued at cost, using the transaction price as the unobservable input. Fair value as of September 30, 2017 includes one new proprietary debt investment totaling $12.0 million, which was valued at cost, using the transaction price as the unobservable input, and one proprietary debt investment totaling $7.8 million, which was valued at the expected payoff amount as the unobservable input.

(B) Fair value as of December 31, 2017 includes one new proprietary debt investment totaling $7.5 million, which was valued at cost, using the transaction price as the unobservable input. Fair value as of September 30, 2017 includes one proprietary debt investment totaling $3.5 million which was valued at the expected payoff as the unobservable input.

(C) Fair value as of December 31, 2017 includes one new proprietary investment totaling $1.5 million, which was valued at cost, using transaction price as the unobservable input. Fair value as of September 30, 2017 includes two new proprietary investments totaling $1.0 million, which were valued at cost, using transaction price as the unobservable input, and one proprietary investment totaling $1.4 million, which was valued at the expected payoff amount as the unobservable input.

(D) Fair value as of December 31, 2017 excludes our investments in FedCap, Leeds and Funko with fair values of $0.8 million, $2.1 million, and $0.2 million, respectively, as of December 31, 2017. FedCap and Leeds were valued using net asset value as a practical expedient and Funko was valued using Level 2 inputs as of December 31, 2017. Fair value as of September 30, 2017 excludes our investments in FedCap and Leeds with fair values of $0.8 million and $1.6 million, respectively, as of September 30, 2017, which were valued using net asset value as a practical expedient.

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the three months ended December 31, 2017 and 2016 for all investments for which the Adviser determines fair value using unobservable (Level 3) factors.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three months ended December 31, 2017	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2017	**$ 173,896**	**$ 155,249**	**$ 3,324**	**$ 6,561**	**$ 10,947**	**$ 349,977**
Total gains (losses):						
Net realized gain (loss)(A)				602	(28)	574
Net unrealized appreciation (depreciation)(B)	1,115	445	(3)	558	(12)	2,103
Reversal of prior period net (appreciation) depreciation on realization(B)		(87)		(725)		(812)
New investments, repayments and settlements: (C)						
Issuances/originations	37,426	18,365	123	125	1,500	57,539
Settlements/repayments	(12,677)	(5,847)				(18,524)
Net proceeds from sales				(1,301)	27	(1,274)
Transfers	(3,565)	3,565		(159)		(159)
Fair Value as of December 31, 2017	**$ 196,195**	**$ 171,690**	**$ 3,444**	**$ 5,661**	**$ 12,434**	**$ 389,424**

Three months ended December 31, 2016	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Unsecured Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2016	**$ 198,721**	**$ 100,320**	**$ 3,012**	**$ 10,262**	**$ 7,755**	**$ 320,070**
Total gains (losses):						
Net realized (loss) gain(A)	(4,899)	25		1,426		(3,448)
Net unrealized appreciation (depreciation)(B)	2,656	(3,220)	1	1,116	(3,246)	(2,693)
Reversal of prior period net depreciation (appreciation) on realization(B)	2,210	66		(1,059)	370	1,587
New investments, repayments and settlements: (C)						
Issuances/originations	548	19,358	75	394	344	20,719
Settlements/repayments	(38,865)	(3,426)	3			(42,288)

Net proceeds from sales	(101)	(25)		(7,724)	(370)	(8,220)
Transfers	(3,940)	923			3,017	
Fair Value as of December 31, 2016	**$ 156,330**	**$ 114,021**	**$ 3,091**	**$ 4,415**	**$ 7,870**	**$ 285,727**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the three months ended December 31, 2017 and 2016.

(B) Included in net unrealized appreciation (depreciation) on investments on our accompanying *Consolidated Statements of Operations* for the three months ended December 31, 2017 and 2016.

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

Investment Activity

Proprietary Investments

As of December 31, 2017 and September 30, 2017, we held 38 and 35 proprietary investments with an aggregate fair value of $356.4 million and $318.6 million, or 90.8% and 90.4% of the total aggregate portfolio, respectively. The following significant proprietary investment transactions occurred during the three months ended December 31, 2017:

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

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

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

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

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

Syndicated Investments

As of December 31, 2017 and September 30, 2017, we held 13 and 12 syndicated investments with an aggregate fair value of $36.0 million and $33.8 million, or 9.2% and 9.6% of the total portfolio at fair value, respectively. The following significant syndicated investment transactions occurred during the three months ended December 31, 2017:

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

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

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

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

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

Investment Concentrations

As of December 31, 2017, our investment portfolio consisted of investments in 51 portfolio companies located in 24 states in 18 different industries, with an aggregate fair value of $392.4 million. The five largest investments at fair value totaled $111.0 million, or 28.3% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2017 totaling $110.9 million, or 31.5% of our total investment portfolio. As of December 31, 2017 and September 30, 2017 our average investment by obligor was $8.8 million at cost.

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

	December 31, 2017	September 30, 2017