

GLADSTONE CAPITAL CORP
Form 497
February 09, 2018
[Table of Contents](#)

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

PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 1, 2018)

Up to \$50,000,000

Common Stock

We are an externally managed specialty finance company that provides capital to lower middle market U.S. businesses (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization (EBITDA) of \$3 million to \$15 million). We operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). For federal income tax purposes, we have elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

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

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

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

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

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

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

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock, including information about risks. Please read it before you invest and retain it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission (the SEC), and can be accessed at its website at www.sec.gov. This information is also available free of charge by calling us collect at (703) 287-5893 or on the investor relations section of our corporate website located at www.gladstonecapital.com. You may also call us collect at this number to request other information or to make a shareholder inquiry. See *Where You Can Find More Information* on page S-41 of this prospectus supplement. **The SEC has not approved or disapproved these securities or passed upon the adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus supplement is February 8, 2018

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>Prospectus Supplement Summary</u>	S-1
<u>The Offering</u>	S-5
<u>Fees and Expenses</u>	S-7
<u>Risk Factors</u>	S-11
<u>Special Note Regarding Forward-Looking Statements</u>	S-15
<u>Use of Proceeds</u>	S-16
<u>Price Range of Common Stock and Distributions</u>	S-17
<u>Common Share Price Data</u>	S-17
<u>Consolidated Selected Financial Data</u>	S-18
<u>Selected Quarterly Financial Data</u>	S-20
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	S-21
<u>Plan of Distribution</u>	S-38
<u>Additional Material U.S. Federal Income Tax Considerations</u>	S-40
<u>Custodian, Transfer Agent, Dividend Disbursing Agent and Paying Agent</u>	S-41
<u>Legal Matters</u>	S-41
<u>Experts</u>	S-41
<u>Where You Can Find More Information</u>	S-41
<u>Index to Interim Consolidated Financial Statements</u>	S-F-1
Prospectus	
<u>Prospectus Summary</u>	1
<u>The Offering</u>	4
<u>Fees and Expenses</u>	7
<u>Additional Information</u>	11
<u>Risk Factors</u>	12
<u>Special Note Regarding Forward-Looking Statements</u>	35
<u>Use of Proceeds</u>	35
<u>Price Range of Common Stock and Distributions</u>	35
<u>Common Share Price Data</u>	36
<u>Ratios of Earnings to Fixed Charges</u>	37
<u>Consolidated Selected Financial Data</u>	38
<u>Selected Quarterly Data (Unaudited)</u>	40
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Senior Securities</u>	66
<u>Business</u>	68
<u>Portfolio Companies</u>	88
<u>Management</u>	96
<u>Control Persons and Principal Stockholders</u>	112
<u>Dividend Reinvestment Plan</u>	115
<u>Material U.S. Federal Income Tax Considerations</u>	116
<u>Regulation as a Business Development Company</u>	119
<u>Description of Our Securities</u>	121
<u>Certain Provisions of Maryland Law and of Our Charter and Bylaws</u>	126

<u>Share Repurchases</u>	130
<u>Plan of Distribution</u>	131
<u>Custodian, Transfer and Dividend Paying Agent and Registrar</u>	133
<u>Brokerage Allocation and Other Practices</u>	134
<u>Proxy Voting Policies and Procedures</u>	135
<u>Legal Matters</u>	136
<u>Experts</u>	136
<u>Index to Consolidated Financial Statements</u>	F-1

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

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

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

Gladstone Capital Corporation

We were incorporated under the General Corporation Laws of the State of Maryland on May 30, 2001 and completed our initial public offering on August 24, 2001. We are externally managed and operate as a closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. We intend to continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment by meeting certain requirements, including minimum distribution requirements.

Our Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from \$8 million to \$30 million, although investment size may vary depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% in debt investments and 10.0% in equity investments, at cost. As of December 31, 2017, our investment portfolio was made up of approximately 90.6% debt investments and 9.4% equity investments, at cost.

We focus on investing in lower middle market companies (which we generally define as companies with annual EBITDA of \$3 million to \$15 million) in the United States that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity and have opportunistically made several co-investments with our affiliate Gladstone Investment Corporation, a BDC also

managed by our Adviser,

S-1

Table of Contents

pursuant to an exemptive order granted by the SEC in July 2012. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

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

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

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

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

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

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

S-2

Table of Contents

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

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered higher risk, as compared to investment-grade debt instruments. In addition, many of the debt securities we hold typically do not amortize prior to maturity. With the exception of our policy to conduct our business as a BDC, these investment policies are not fundamental and may be changed without stockholder approval. See *Business Investment Process* included in the accompanying prospectus for additional information on our investment practices.

Our Investment Adviser and Administrator

We are externally managed by the Adviser, an affiliate of ours, under an investment advisory and management agreement (the *Advisory Agreement*), and another of our affiliates, the Administrator provides administrative services to us pursuant to a contractual agreement (the *Administration Agreement*). Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone and Terry Lee Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and serve as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including, but not limited to: Gladstone Commercial Corporation, a publicly-traded real estate investment trust; Gladstone Investment Corporation, a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust. In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

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

Table of Contents**Recent Developments***Distributions to Stockholders*

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

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

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

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

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

Portfolio Activity

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

Table of Contents

THE OFFERING

Common stock offered Shares with an aggregate offering price of up to \$50,000,000.

Common stock outstanding prior to this offering 26,632,182 shares.

Plan of Distribution At the market offering that may be made from time to time through our sales agent, Cantor Fitzgerald. See *Plan of Distribution* beginning on page S-38 of this prospectus supplement.

On February 27, 2015, we established the at-the-market program to which this prospectus supplement relates and entered into an equity distribution agreement with Cantor Fitzgerald. On May 22, 2017, we amended and restated the Sales Agreement with Cantor Fitzgerald to continue the at-the-market program.

Through the date of this prospectus supplement 1,114,316 shares of common stock with an aggregate offering price of \$10.9 million were issued and sold pursuant to the Sales Agreement and 131,462 shares with an aggregate offering price of \$1.2 million were sold under a separate equity distribution agreement which was previously terminated. An aggregate offering price of up to \$37.9 million of our common stock remains available for sale under this at-the-market offering.

Use of Proceeds If we sell shares of our common stock with an aggregate offering price of \$37.9 million, which is what remains available under the Sales Agreement as of the date of this prospectus supplement, we anticipate that our net proceeds, after deducting Cantor Fitzgerald's maximum commissions and estimated offering expenses payable by us, will be approximately \$37.0 million. We intend to use the net proceeds from this offering to repay outstanding indebtedness under the Fifth Amended and Restated Credit Agreement, as further amended, (the Credit Facility), with KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender, to fund new investment opportunities, and for other general corporate purposes. See *Use of Proceeds* on page S-16 of this prospectus supplement.

Nasdaq symbol GLAD

Distributions on common stock

We have paid monthly distributions to the holders of our common stock since October 2003 (and prior to that quarterly distributions since January 2002) and generally intend to continue to do so. The amount of monthly distributions on our common stock is generally determined by our Board of Directors on a quarterly basis and is based on management's estimate of the fiscal year's taxable income. See *Price Range of Common Stock and Distributions* beginning on page S-17 of this prospectus supplement. Because our distributions to

S-5

Table of Contents

common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may also include, and past distributions have included, a return of capital. Such return of capital distributions may increase an investor's tax liability for capital gains upon the sale of our shares by reducing the investor's tax basis for such shares. See *Risk Factors* *Risks Related to an Investment in Our Securities* *Distributions to our stockholders have included and may in the future include a return of capital* in the accompanying prospectus. Certain additional amounts may be deemed as distributed to common stockholders for income tax purposes and may also constitute a return of capital.

Tax matters

See *Additional Material U.S. Federal Income Tax Considerations* in this prospectus supplement and *Material U.S. Federal Income Tax Considerations* beginning on page 116 of the accompanying prospectus for a discussion of material U.S. federal income tax considerations applicable to an investment in shares of our common stock.

Risk Factors

Investing in shares of our common stock involves substantial risks. Please carefully read and consider the information described under *Risk Factors* beginning on page S-11 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before making an investment decision.

Table of Contents**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus supplement contains a reference to fees or expenses paid by us or Gladstone Capital, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Capital. The following percentages for annual expenses are annualized and have been calculated based on actual expenses incurred in the quarter ended December 31, 2017 and average net assets attributable to common stockholders for the quarter ended December 31, 2017.

Stockholder Transaction Expenses:

Sales load or other commission (as a percentage of offering price) ⁽¹⁾	2.00%
Offering expenses (as a percentage of offering price) ⁽²⁾	0.42%
Dividend reinvestment plan expenses (per sales transaction fee) ⁽³⁾	Up to \$25.00 Transaction fee
Total stockholder transaction expenses (as a percentage of offering price)	2.42%

Annual expenses (as a percentage of net assets attributable to common stock)⁽⁴⁾:

Base management fee ⁽⁵⁾	2.98%
Loan Servicing fee ⁽⁶⁾	2.11%
Incentive fees (20% of realized capital gains and 20% of pre-incentive fee net investment income) ⁽⁷⁾	2.44%
Interest payments on borrowed funds ⁽⁸⁾	2.51%
Dividend expense on mandatorily redeemable preferred stock ⁽⁹⁾	1.49%
Other expenses ⁽¹⁰⁾	1.45%

Total annual expenses⁽¹⁰⁾⁽¹¹⁾	12.98%
---	---------------

- (1) Represents the maximum commission with respect to the shares of common stock being sold in this offering. Cantor Fitzgerald will be entitled to compensation up to 2.0% of the gross proceeds of the sale of any shares of our common stock under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by us and Cantor Fitzgerald from time to time. There is no guarantee that there will be any additional sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.
- (2) The percentage reflects estimated offering expenses of approximately \$160,000 and assumes we sell all \$37.9 million of common stock remaining under the Sales Agreement.
- (3) The expenses of the dividend reinvestment plan, if any, are included in stock record expenses, a component of Other expenses. If a participant elects by written notice to the plan agent prior to termination of his or her account to have the plan agent sell part or all of the shares held by the plan agent in the participant's account and remit the proceeds to the participant, the plan agent is authorized to deduct a transaction fee, plus per share brokerage commissions, from the proceeds. The participants in the dividend reinvestment plan will also bear a transaction fee, plus pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See *Dividend Reinvestment Plan* in the accompanying prospectus for information on the dividend reinvestment plan.
- (4) The percentages presented in this table are gross of credits to any fees.
- (5) In accordance with the Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as our total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, and adjusted appropriately

for any share issuances or repurchases. In accordance with the requirements of the SEC, the table above shows our base management fee as a percentage of average net assets attributable to common

S-7

Table of Contents

shareholders. For purposes of the table, the gross base management fee has been converted to 2.98% of the average net assets as of December 31, 2017 by dividing the total dollar amount of the management fee by our average net assets. The base management fee for the quarter ended December 31, 2017 before application of any credits was \$1.7 million.

Under the Advisory Agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. Generally, at the end of each quarter, 100.0% of these fees are non-contractually, irrevocably and unconditionally credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended December 31, 2017, the base management fee credit was \$0.8 million. See *Management Certain Transactions Investment Advisory and Management Agreement* in the accompanying prospectus.

- (6) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC ("Business Loan"), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with the Credit Facility. For the three months ended December 31, 2017, the total loan servicing fee was \$1.2 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally non-contractually, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. See *Management Certain Transactions Investment Advisory and Management Agreement* in the accompanying prospectus and footnote 7 below.
- (7) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets, subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 5 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through December 31, 2017. The income-based incentive fee for the quarter ended December 31, 2017 before application of any credits was \$1.4 million.

S-8

Table of Contents

From time to time, the Adviser has non-contractually, irrevocably and unconditionally agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. For the quarter ended December 31, 2017, the incentive fee credit was \$0.1 million. There can be no guarantee that the Adviser will continue to credit any portion of the fees under the Advisory Agreement in the future

Examples of how the incentive fee would be calculated are as follows:

Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.

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

$$= 100.0\% \times (2.00\% - 1.75\%)$$

$$= 0.25\%$$

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

$$= (100.0\% \times (2.1875\% - 1.75\%)) + (20.0\% \times (2.30\% - 2.1875\%))$$

$$= (100.0\% \times 0.4375\%) + (20.0\% \times 0.1125\%)$$

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

$$= 0.46\%$$

Assuming net realized capital gains of 6% and realized capital losses and unrealized capital depreciation of 1%, the capital gains-based incentive fee would be as follows:

$$= 20.0\% \times (6.0\% - 1.0\%)$$

$$= 20.0\% \times 5.0\%$$

$$= 1.0\%$$

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

- Includes amortization of deferred financing costs. As of December 31, 2017, we had \$130.5 million in borrowings outstanding under our Credit Facility.
- (9) Includes amortization of deferred financing costs related to our Series 2024 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended December 31, 2017. See *Description of Our Securities Preferred Stock Series 2024 Term Preferred Stock* in the accompanying prospectus for additional information.
- (10) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See *Management Certain Transactions Administrator Compensation* in the accompanying prospectus.
- (11) Total annualized gross expenses, based on actual amounts incurred for the quarter ended December 31, 2017, would be \$29.2 million. After all non-contractual, unconditional and irrevocable credits described in footnote 5, footnote 6 and footnote 7 above are applied to the base management fee, the loan servicing fee, and the incentive fee, total annualized expenses after fee credits, based on actual amounts incurred for the quarter ended December 31, 2017, would be \$21.1 million or 9.38% as a percentage of net assets.

Table of Contents**Examples**

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our gross annual operating expenses would remain at the levels set forth in the table above and are gross of any credits to any fees. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5.00% annual return, our performance will vary and may result in a return greater or less than 5.00%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income ⁽¹⁾⁽²⁾	\$ 112	\$ 316	\$ 496	\$ 855
assuming a 5% annual return consisting entirely of capital gains ⁽²⁾⁽³⁾	\$ 121	\$ 338	\$ 526	\$ 889

- (1) For purposes of this example, we have assumed that the entire amount of the assumed 5.0% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5.0% annual return is significantly below the hurdle rate of 7.0% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5.0% annual return on our investments.
- (2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See *Dividend Reinvestment Plan* in the accompanying prospectus for additional information regarding our dividend reinvestment plan.
- (3) For purposes of this example, we have assumed that the entire amount of the assumed 5.0% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation would have to be overcome first before a capital gains based incentive fee is payable.

Table of Contents

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Shares. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our Securities and NAV of our common stock could decline, and you may lose all or part of your investment.

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

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

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

Delays in investing the net proceeds raised in an offering or from exiting an investment, prepayment of an investment or other capital source may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds from any offering, from exiting an investment, prepayment of an investment or other capital source on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

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

One of the factors that will influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher distribution yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

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

As of December 31, 2017, our NAV per share was \$8.48, which was based on the fair value our investments that were reviewed and approved by the Valuation Committee and Board of Directors. NAV per share as of March 31, 2018, and following quarters, may be higher or lower than \$8.48 based on potential changes in valuations, issuances of

securities, or distributions paid and earnings for the quarter then ended. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis, and if our March 31, 2018 fair value is less than the December 31, 2017 fair value, we will record an unrealized loss on our investment portfolio. If the fair value is greater, we will record an unrealized gain on our investment portfolio. Upon publication of our next quarterly NAV per share determination (generally in our next quarterly report on Form 10-Q), the market price of our common stock may fluctuate materially.

S-11

Table of Contents

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

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

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

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

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

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

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

eliminating the corporate alternative minimum tax.

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

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

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from NAV. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that our NAV per share will decline. As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the

relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV.

Under the 1940 Act, we are generally not able to issue additional shares of our common stock at a price below NAV per share to purchasers other than our existing stockholders through a rights offering without first obtaining the approval of our common stockholders and our independent directors. At our 2017 Annual Meeting of Stockholders, we did not seek stockholder approval to issue shares of our common stock below NAV. Thus, for as long as our common stock may trade below NAV, we will be subject to significant constraints on our ability to raise capital through the issuance of common stock, including shares of common stock offered under this prospectus supplement. Although we have been able to secure access to additional liquidity, including through the Credit Facility and equity offerings, our inability to issue shares of common stock below NAV may limit our ability to raise capital needed to grow and achieve our investment objectives.

S-12

Table of Contents

Additionally, when our common stock is trading below its NAV per share, our dividend yield may exceed the weighted average returns that we would expect to realize on new investments that would be made with the proceeds from the sale of such stock, making it unlikely that we would determine to issue additional shares in such circumstances. Therefore, an extended period of time in which we are unable to raise capital may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

We may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy the asset coverage tests under the provisions of the 1940 Act that apply to BDCs. As a BDC, we have the ability to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and/or repayments may be disadvantageous.

Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth. As a result of the annual distribution requirement to qualify as a RIC, we may need to periodically access the capital markets to raise cash to fund new investments. We may issue senior securities representing indebtedness, including borrowing money from banks or other financial institutions or senior securities that are stock, such as our mandatorily redeemable preferred stock, only in amounts such that our asset coverage on each senior security, as defined in the 1940 Act, equals at least 200% after each such incurrence or issuance. Further, we may not be permitted to declare a dividend or make any distribution to our outstanding stockholders or repurchase shares until such time as we satisfy these tests. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a BDC, therefore, we intend to continuously issue equity at a rate more frequent than our privately owned competitors, which may lead to greater stockholder dilution. We have incurred leverage to generate capital to make additional investments. If the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which could prohibit us from paying distributions and could prevent us from qualifying as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous.

If we fail to pay dividends on our Series 2024 Term Preferred Stock for two years, the holders of our Series 2024 Term Preferred Stock will be entitled to elect a majority of our directors.

The terms of our Series 2024 Term Preferred Stock provide for annual dividends in the amount of \$1.50 per outstanding share of Series 2024 Term Preferred Stock. In accordance with the terms of our Series 2024 Term Preferred Stock, if dividends thereon are unpaid in an amount equal to at least two years of dividends, the holders of Series 2024 Term Preferred Stock will be entitled to elect a majority of our Board of Directors.

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

In September 2017, we completed a public offering of the Series 2024 Term Preferred Stock, at a public offering price of \$25.00 per share. In such offering, we issued approximately 2.1 million shares of Series 2024 Term Preferred Stock. The shares of Series 2024 Term Preferred Stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock. Further, in the future, we may attempt to increase our capital resources by making additional offerings of preferred equity securities or issuing debt securities. Upon liquidation,

holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including the Credit Facility, would receive a distribution of our available assets in

S-13

Table of Contents

full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

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

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

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

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

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate, among other things, to future events or our future performance or financial condition or future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts with our Adviser, and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe, will, provided, anticipate, future, could, growth, plan, intend, expect, possible, potential, likely or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include:

the recurrence of adverse events in the economy and the capital markets, including stock price volatility;

risks associated with negotiation and consummation of pending and future transactions;

the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte;

changes in our investment objective and strategy;

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

changes in our industry, interest rates, exchange rates or the general economy;

our business prospects and the prospects of our portfolio companies;

the degree and nature of our competition;

changes in governmental regulations, tax rates and similar matters;

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

those factors described in the *Risk Factors* section of this prospectus supplement and the accompanying prospectus.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus supplement or the accompanying prospectus. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

S-15

Table of Contents

USE OF PROCEEDS

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

We intend to use the net proceeds from this offering to repay a portion of the amount outstanding under the Credit Facility, to fund new investment opportunities, and for other general corporate purposes. As of the date of this prospectus supplement, we had \$129.8 million outstanding under the Credit Facility. Advances under the Credit Facility generally bear interest at a 30-day LIBOR plus 3.25% per annum, with a commitment fee of 0.5% per annum on undrawn amounts. The Credit Facility has a revolving period end date of January 19, 2019. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020.

We intend to re-borrow under our Credit Facility to make investments in portfolio companies in accordance with our investment objectives depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions.

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

Table of Contents**PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS**

We currently intend to distribute in the form of cash dividends, for each taxable year, a minimum of 90% of our annual ordinary income and short-term capital gains, if any, to our stockholders in the form of monthly dividends. We intend to retain long-term capital gains and treat them as deemed distributions for tax purposes. We report the estimated tax characterization of each dividend when declared while the actual tax characterization of dividends for each calendar year are reported to each stockholder on IRS Form 1099-DIV. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions. At the option of a holder of record of common stock, all cash distributions paid with respect to our common stock can be reinvested automatically under our dividend reinvestment plan in additional whole and fractional shares of our common stock. A stockholder whose shares are held in the name of a broker or other nominee should contact the broker or nominee regarding participation in a dividend reinvestment plan. See *Risk Factors Risks Related to Our Regulation and Structure We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification; Dividend Reinvestment Plan; and Material U.S. Federal Income Tax Considerations* in the accompanying prospectus.

Our common stock is quoted on Nasdaq under the symbol GLAD. Our common stock has historically traded at prices both above and below its NAV. There can be no assurance that any premium to NAV will be attained or maintained. As of February 7, 2018 there were 36 stockholders of record, meaning individuals or entities that we carry in our records as the registered holder (although not necessarily the beneficial owner) of our common stock.

The following table sets forth the range of high and low intraday sale prices of our common stock as reported on the Nasdaq and the distributions declared by us for the last two completed fiscal years and the current fiscal year through February 7, 2018.

COMMON SHARE PRICE DATA

	NAV ⁽¹⁾	Sales Price		Declared Common Distributions	Premium (Discount) of High to NAV ⁽²⁾	Premium (Discount) of Low to NAV ⁽²⁾
	High	Low				
Fiscal Year ended September 30, 2016						
First Quarter	8.38	9.09	6.39	0.21	8.5	(23.8)
Second Quarter	7.92	7.59	4.71	0.21	(4.2)	(40.5)
Third Quarter	7.95	7.67	6.80	0.21	(3.5)	(14.5)
Fourth Quarter	8.62	8.75	7.24	0.21	1.5	(16.0)
Fiscal Year ended September 30, 2017						
First Quarter	8.36	9.62	7.33	0.21	15.1	(12.3)
Second Quarter	8.33	9.92	8.67	0.21	19.1	4.1
Third Quarter	8.38	10.12	9.15	0.21	20.8	9.2
Fourth Quarter	8.40	9.95	8.98	0.21	18.5	6.9
Fiscal Year ending September 30, 2018						
First Quarter	8.48	9.92	8.95	0.21	17.0	5.5
Second Quarter (through February 7, 2018)	*	9.50	7.80	0.21	*	*

- (1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low intraday sale prices. The NAV per shares shown are based on outstanding shares at the end of each period.
- (2) The (discounts) premiums to NAV per share set forth in these columns represent the high or low, as applicable, intraday sale price per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the (discount) premium to NAV per share on the date of the high and low intraday sale prices.
- * Not yet available, as the NAV per share as of the end of this quarter cannot yet be determined.

S-17

Table of Contents**CONSOLIDATED SELECTED FINANCIAL DATA**

The following consolidated selected financial data for the fiscal years ended September 30, 2017, 2016, 2015, 2014 and 2013 are derived from our audited consolidated financial statements. The consolidated selected financial data for the three months ended December 31, 2017 and 2016 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other data included in the second table below is also unaudited. The data should be read in conjunction with our Consolidated Financial Statements and notes thereto and *Management's Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this prospectus supplement and the accompanying prospectus.

(dollar amounts in thousands, except per share data)

	Three Months Ended		Year Ended September 30,					
	December 31,		2017	2016	2015	2014	2013	
Investment of Operations Data:								
Investment Income	\$ 10,859	\$ 9,974	\$ 39,233	\$ 39,112	\$ 38,058	\$ 36,585	\$ 35,112	\$
Expenses, Net of Credits from	5,282	4,767	17,800	19,625	20,358	18,217	17,000	
Investment Income	5,577	5,207	21,433	19,487	17,700	18,368	17,112	
Realized and Unrealized (Loss) Gain on								
Assets, Borrowings and Other	1,583	(4,291)	(4,253)	(8,120)	(9,216)	(7,135)	(6,000)	
Increase (Decrease) in Net Assets								
Resulting from Operations	7,160	916	17,180	11,367	8,484	11,233	11,112	\$
Per Share Data:								
Investment Income per Common								
Share Basic and Diluted ^(A)	0.21	0.21	0.84	0.84	0.84	0.87	0.87	\$
Increase (Decrease) in Net Assets								
Resulting from Operations per Common								
Share Basic and Diluted ^(A)	0.27	0.04	0.67	0.49	0.40	0.53	0.53	
Dividends Declared Per Common								
Share	0.21	0.21	0.84	0.84	0.84	0.84	0.84	
Statement of Assets and Liabilities Data:								
Assets	\$ 409,722	\$ 304,652	\$ 365,860	\$ 337,178	\$ 382,482	\$ 301,429	\$ 280,112	\$
Liabilities	225,717	213,385	219,650	201,207	191,444	199,660	199,660	
Net Value Per Common Share	8.48	8.36	8.40	8.62	9.06	9.81	9.81	
Common Shares Outstanding	26,632,182	25,517,866	26,160,684	23,344,422	21,131,622	21,000,160	21,000,160	21,000,160
Authorized Common Shares								
Outstanding Basic and Diluted	26,522,788	24,778,970	25,495,117	23,200,642	21,066,844	21,000,160	21,000,160	21,000,160
Securities Data:								
Investments under Credit Facility, at cost ^(C)	130,500	28,200	93,000	71,300	127,300	36,700	36,700	\$
	51,750	61,000	51,750	61,000	61,000	61,000	61,000	

mandatorily redeemable preferred
(D)

- (A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.
- (B) The tax character of distributions is determined on an annual basis in accordance with GAAP. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* included elsewhere in the accompanying prospectus.
- (C) See *Management's Discussion and Analysis of Financial Condition and Results of Operations* for more information regarding our level of indebtedness.
- (D) Represents the aggregate liquidation preference of our mandatorily redeemable preferred stock.

S-18

Table of Contents

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

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

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

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

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

Table of Contents**SELECTED QUARTERLY FINANCIAL DATA****(UNAUDITED)**

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended September 30, 2017 and the first quarter of the fiscal year ending September 30, 2018. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

	Quarter Ended December 31, 2017			
Total investment income	\$ 10,859			
Net investment income	5,577			
Net increase (decrease) in net assets resulting from operations	7,160			
Net increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	\$ 0.27			

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

	December 31, 2015	March 31, 2016	Quarter Ended June 30, 2016	September 30, 2016
Total investment income	\$ 10,060	\$ 9,456	\$ 9,844	\$ 9,750
Net investment income	4,759	4,917	4,907	4,905
Net Increase (decrease) in net assets resulting from operations	(8,704)	(6,139)	5,516	20,697
Net Increase (decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	\$ (0.38)	\$ (0.26)	\$ 0.24	\$ 0.89

Table of Contents

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

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

OVERVIEW

General

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company, and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, for federal income tax purposes we have elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). To continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from \$8 million to \$30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of December 31, 2017, our investment portfolio was made up of approximately 90.6% debt investments and 9.4% equity investments, at cost.

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

We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

We are externally managed by Gladstone Management Corporation (the Adviser), an investment adviser registered with the SEC and an affiliate of ours, pursuant to an investment advisory and management agreement

S-21

Table of Contents

(the Advisory Agreement). The Adviser manages our investment activities. We have also entered into an administration agreement (the Administration Agreement) with Gladstone Administration, LLC (the Administrator), an affiliate of ours and the Adviser, whereby we pay separately for administrative services.

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

Business

Portfolio and Investment Activity

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

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

During the three months ended December 31, 2017, we invested \$56.3 million in seven new portfolio companies and extended \$1.6 million of investments to existing portfolio companies. In addition, during the three months ended December 31, 2017, we exited three portfolio companies through sales and early payoffs. We received a total of \$19.8 million in combined net proceeds and principal repayments from the aforementioned portfolio company exits as well as existing portfolio companies during the three months ended December 31, 2017. This activity resulted in a net increase in our overall portfolio by four portfolio companies to 51 and a net increase of \$38.7 million in our portfolio at cost since September 30, 2017. From our initial public offering in August 2001 through December 31, 2017, we have made 481 different loans to, or investments in, 224 companies for a total of approximately \$1.7 billion, before giving effect to principal repayments on investments and divestitures.

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

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

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

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

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

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

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

S-22

Table of Contents

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

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

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

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

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

Capital Raising

We have been able to meet our capital needs through extensions of and increases to the Credit Facility and by accessing the capital markets in the form of public equity offerings of common and preferred stock. We have successfully extended the Credit Facility's revolving period multiple times, most recently to January 2019, and currently have a total commitment amount of \$170.0 million. Additionally, we issued 2.1 million shares of our 6.00% Series 2024 Term Preferred Stock, par value \$0.001 per share (*Series 2024 Term Preferred Stock*) at a public offering price of \$25 per share, for gross proceeds of \$51.8 million in September 2017, inclusive of the overallotment and approximately 2.2 million shares of our common stock for gross proceeds of \$17.3 million in October 2016, inclusive of the November 2016 overallotment. Additionally, during the three months ended December 31, 2017, we sold 471,498 shares of our common stock under our at-the-market program at a weighted-average price of \$9.69 per share and raised \$4.6 million of gross proceeds. Refer to *Liquidity and Capital Resources Equity Common Stock* and *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our common stock and mandatorily redeemable preferred stock and *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of the Credit Facility.

Although we were able to access the capital markets historically and in recent years, we believe uncertain market conditions could affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. During times of increased price volatility, our common stock may be more likely to trade at a price below our NAV per share, which is not uncommon for BDCs like us. When our common stock trades below NAV per common share, as it has often done in previous years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering. We did not request that our stockholders approve the Company's ability to issue shares of common stock at a price below NAV at our annual meeting of stockholders held on February 9, 2017. We are not requesting that our stockholders approve the Company's ability to issue shares of common stock at a price below NAV at the Company's 2018 Annual Meeting of Stockholders to be held on February 8, 2018. Should we decide to issue shares of common stock at a price below NAV in the future, we will seek the requisite approval of our stockholders at such time.

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

Regulatory Compliance

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

S-23

Table of Contents

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

Recent Developments***Portfolio and Investment Activity***

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

Distributions

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

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2024 Term Preferred Share
January 22, 2018	January 31, 2018	\$ 0.07	\$ 0.125
February 16, 2018	February 28, 2018	0.07	0.125
March 20, 2018	March 30, 2018	0.07	0.125
Total for the Quarter		\$ 0.21	\$ 0.375

Table of Contents**RESULTS OF OPERATIONS****Comparison of the Three Months Ended December 31, 2017, to the Three Months Ended December 31, 2016**

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

Investment Income

Interest income increased by 23.6% for the three months ended December 31, 2017, as compared to the prior year. This increase was due primarily to an increase in the weighted average yield on and an increase in the weighted

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

As of December 31, 2017, two portfolio companies, Sunshine Media Holdings (Sunshine) and Alloy Die Casting Co. were either fully or partially on non-accrual status, with an aggregate debt cost basis of

S-25

Table of Contents

approximately \$27.9 million, or 6.8% of the cost basis of all debt investments in our portfolio. As of December 31, 2016, one portfolio company, Sunshine, was partially on non-accrual status, with an aggregate debt cost basis of approximately \$19.1 million, or 6.1% of the cost basis of all debt investments in our portfolio.

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

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

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

^(A) New investment during applicable period.

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

Expenses

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

Interest expense increased by 121.4% during the three months ended December 31, 2017, as compared to the prior year, due to an increase in the weighted average balance outstanding on our Credit Facility. The weighted average balance outstanding during the three months ended December 31, 2017, was \$98.2 million, as compared to \$39.3 million in the prior year period, an increase of 149.9%. The effective interest rate on our Credit Facility,

S-26

Table of Contents

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

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

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

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

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

- (A) Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.
- (B) Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statements of Operations*. Dividend expense on mandatorily redeemable preferred stock decreased by \$0.3 million, or 24.6%, due to the redemption of all of our \$61.0 million 6.75% Series 2021 Term Preferred Stock and the issuance of \$51.8 million 6.00% Series 2024 Term Preferred Stock in September 2017.

S-27

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

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

For the three months ended December 31, 2016, we recorded a net realized loss on investments of \$3.4 million, which resulted primarily from the sale of substantially all the assets of RBC Acquisition Corp (RBC) for a \$2.3 million realized loss and the write-off of \$5.0 million of our investment in Sunshine, partially offset by the sale of Behrens Manufacturing, LLC (Behrens) for a \$2.5 million realized gain and a \$1.3 million realized gain related to an additional earn-out from Funko, LLC, which was exited in the prior year.

Net Unrealized Appreciation (Depreciation) of Investments

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

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

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

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

S-28

Table of Contents

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

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

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

Net Unrealized (Appreciation) Depreciation of Other

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

LIQUIDITY AND CAPITAL RESOURCES**Operating Activities**

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management and administrative fees to the Adviser and Administrator,

and for other operating expenses. Net cash used in operating activities for the three months ended December 31, 2017 was \$36.9 million as compared to net cash provided by operating activities of \$31.5 million for the three months ended December 31, 2016. The change was primarily due to an increase in purchases of investments and a decrease in principal repayments on investments and net proceeds from sale of investments period over period. Purchases of investments were \$56.9 million during the three months ended December 31, 2017 compared to \$19.8 million during the three months ended December 31, 2016. Repayments and net proceeds from sales were \$19.8 million during the three months ended December 31, 2017 compared to \$50.5 million during the three months ended December 31, 2016.

S-29

Table of Contents

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

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

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

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

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

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

Adjustments to cost basis of debt investments	(5,750)
Investments in equity securities	42,227

Investments held as of December 31, 2017 at Cost: \$ 450,132

Financing Activities

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

Net cash used in financing activities for the three months ended December 31, 2016 was \$31.8 million, which consisted primarily of \$43.1 million in net repayments on our Credit Facility and \$5.2 million in distributions to

S-30

Table of Contents

common stockholders, partially offset by \$16.4 million in proceeds from the issuance of common stock, net of underwriting costs.

Distributions and Dividends to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. In accordance with these requirements, we paid monthly cash distributions of \$0.07 per common share for each month during the three months ended December 31, 2017 and 2016, which totaled an aggregate of \$5.6 million and \$5.2 million, respectively. In January 2018, our Board of Directors declared a monthly distribution of \$0.07 per common share for each of January, February, and March 2018. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2018.

For the year ended September 30, 2017, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat \$0.3 million of the first common distributions paid in fiscal year 2018 as having been paid in the respective prior year.

The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2018 will be determined at fiscal year-end based upon our investment company taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization.

Preferred Stock Dividends

In October 2017, our Board of Directors declared a combined dividend for the pro-rated period from and including the issuance date, September 27, 2017, to and including September 30, 2017 and the full month of October 2017, which totaled \$0.141667 per share, to the holders of our Series 2024 Term Preferred Stock and monthly cash dividends of \$0.125 per share to holders of our Series 2024 Term Preferred Stock for each of November and December 2017. These distributions totaled an aggregate of \$0.8 million. Our Board of Directors declared and we paid monthly cash dividends of \$0.140625 per share to holders of our Series 2021 Term Preferred Stock for each month during the three months ended December 31, 2016, which totaled an aggregate of \$1.0 million. In January 2018, our Board of Directors declared monthly cash dividends of \$0.125 per share to holders of our Series 2024 Term Preferred Stock for each of January, February, and March 2018.

In accordance with GAAP, we treat these monthly dividends as an operating expense. For federal income tax purposes, the dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

Equity

Registration Statement

We filed Post-Effective Amendment No. 5 to our current universal shelf registration statement on Form N-2 (our Registration Statement) (File No. 333-208637) with the SEC on December 19, 2017, which was declared effective by the SEC on February 1, 2018. Our Registration Statement permits us to issue, through one or more transactions, up to an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock,

S-31

Table of Contents

subscription rights, debt securities and warrants to purchase common stock, preferred stock or debt securities. After accounting for securities sold under the Registration Statement and remaining securities reserved for sale under the Sales Agreement, as of December 31, 2017, we have the ability to issue up to \$220.0 million in securities under the Registration Statement.

Common Stock

In February 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we had the ability to issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of \$50.0 million shares of our common stock. In May 2017, we terminated the Sales Agreement with KeyBanc Capital Markets Inc. and amended the Sales Agreement with Cantor Fitzgerald & Co. to reference our current registration statement. All other material terms of the Sales Agreement remained unchanged. During the three months ended December 31, 2017, we sold 471,498 shares of our common stock under the Sales Agreement with Cantor Fitzgerald & Co., at a weighted-average price of \$9.69 per share and raised \$4.6 million of gross proceeds. Net proceeds, after deducting commissions and offering costs borne by us, were approximately \$4.5 million. As of December 31, 2017, we had a remaining capacity to sell up to \$37.9 million of common stock under the Sales Agreement with Cantor Fitzgerald & Co. We did not sell any shares under the Sales Agreements during the three months ended December 31, 2016.

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

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

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the timing or terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. To the extent that our common stock trades at a market price below our NAV per share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder and independent director approval or a rights offering to existing common stockholders. We did not request that our stockholders approve the Company's ability to issue shares of common stock at a price below NAV at our annual meeting of stockholders held on February 9, 2017. We are not requesting that our stockholders approve the Company's ability to issue shares of common stock at a price below NAV at the Company's 2018 Annual Meeting of Stockholders to be held on February 8, 2018.

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

Term Preferred Stock

Pursuant to our Registration Statement, in September 2017, we completed a public offering of approximately 2.1 million shares of our Series 2024 Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$51.8 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately \$49.8 million. We incurred approximately \$1.9 million in total underwriting discounts and offering costs related to the issuance of the Series 2024 Term Preferred Stock, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period from issuance through September 30, 2024, the

S-32

Table of Contents

mandatory redemption date. The net proceeds plus borrowings under our Credit Facility were used to voluntarily redeem all 2.4 million outstanding shares of our then existing 6.75% Series 2021 Term Preferred Stock, par value \$0.001 per share. In connection with the voluntary redemption of our Series 2021 Term Preferred Stock, we incurred a loss on extinguishment of debt of \$1.3 million, which has been reflected in Realized loss on other in our accompanying *Consolidated Statement of Operations* and which is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

The shares of our Series 2024 Term Preferred Stock are traded under the ticker symbol GLADN on the Nasdaq. Our Series 2024 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.00% per year, payable monthly (which equates in total to approximately \$3.1 million per year). We are required to redeem all of the outstanding Series 2024 Term Preferred Stock on September 30, 2024 for cash at a redemption price equal to \$25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2024 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage of at least 200% on our senior securities that are stock (which is currently only our Series 2024 Term Preferred Stock) and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. The asset coverage on our senior securities that are stock as of September 30, 2017 was 249.6%, calculated in accordance with Sections 18 and 61 of the 1940 Act.

We may also voluntarily redeem all or a portion of the Series 2024 Term Preferred Stock at our option at the Redemption Price at any time after September 30, 2019. If we fail to redeem our Series 2024 Term Preferred Stock pursuant to the mandatory redemption required on September 30, 2024, or in any other circumstance in which we are required to mandatorily redeem our Series 2024 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of December 31, 2017, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2024 Term Preferred Stock.

Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement with KeyBank, as administrative agent, lead arranger and a lender, which increased the commitment amount of our Credit Facility from \$137.0 million to \$140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended other terms and conditions to among other items. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before April 19, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of \$250.0 million through additional commitments of new or existing lenders. We incurred fees of approximately \$1.1 million in connection with this amendment, which are being amortized through our Credit Facility's revolving period end date of January 19, 2019. On June 19, 2015, we, through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity on our Credit Facility by \$30.0 million to \$170.0 million. We incurred fees of approximately \$0.6 million in connection with this expansion, which are being amortized through our Credit Facility's revolving period end date of January 19, 2019.

On October 9, 2015, August 18, 2016, and August 24, 2017, we entered into Amendments No. 1, 2 and 3 to our Credit Facility, respectively, each of which clarified or modified various constraints on available borrowings.

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

S-33

Table of Contents

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts elected to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of \$205.0 million plus 50% of all equity and subordinated debt raised after May 1, 2015 less 50% of any equity and subordinated debt retired or redeemed after May 1, 2015, which equates to \$224.1 million as of December 31, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of December 31, 2017, and as defined in the performance guaranty of our Credit Facility, we had a net worth of \$274.9 million, asset coverage on our senior securities representing indebtedness of 310.4% and an active status as a BDC and RIC. In addition, we had 35 obligors in our Credit Facility's borrowing base as of December 31, 2017. As of December 31, 2017, we were in compliance with all of our Credit Facility covenants. Refer to Note 5 *Borrowings* of the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding our Credit Facility.

Off-Balance Sheet Arrangements

We generally recognize success fee income when the payment has been received. As of December 31, 2017 and September 30, 2017, we had off-balance sheet success fee receivables on our accruing debt investments of \$5.6 million and \$4.6 million (or approximately \$0.21 per common share and \$0.18 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we generally have not recognized our success fee receivables and related income in our *Consolidated Financial Statements* until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

Contractual Obligations

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

Contractual Obligations ^(A)	Payments Due by Period		Total
	3-5 Years		

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

S-34

Table of Contents

- (A) Excludes our unused line of credit commitments, an unused delayed draw term loan and uncalled capital commitments to our portfolio companies in an aggregate amount of \$24.3 million, at cost, as of December 31, 2017.
- (B) Principal balance of borrowings outstanding under our Credit Facility, based on the current contractual revolver period end date to the revolving nature of the facility.
- (C) Includes estimated interest payments on our Credit Facility and dividend obligations on our Series 2024 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and balances as of December 31, 2017. Dividend payments on our Series 2024 Term Preferred Stock assume quarterly dividend declarations and monthly dividend distributions through the date of mandatory redemption.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified our investment valuation policy (which has been approved by our Board of Directors) as our most critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement. Additionally, refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements and our application of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement.

Investment Valuation

Credit Monitoring and Risk Rating

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

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

system covers both qualitative and quantitative aspects of the business and the securities we hold.

S-35

Table of Contents

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

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

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

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

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

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

Tax Status

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

Recent Accounting Pronouncements

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

S-36

Table of Contents

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

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

Variable rates	90.6%
Fixed rates	9.4
Total:	100.0%

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

Table of Contents

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

the Sales Agreement under the circumstances specified in such Sales Agreement by giving five days' notice to us.

S-38

Table of Contents

Cantor Fitzgerald and its affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates, for which services they may in the future receive customary fees. In addition, in the ordinary course of their business activities, Cantor Fitzgerald and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

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

S-39

Table of Contents

ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

reducing the 80% dividends received deduction to 65% and the 70% dividends received deduction to 50%;

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

requiring that, subject to exceptions, income be included in taxable income no later than the tax year in which it is taken into account as income on specified types of financial statements;

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

eliminating the corporate alternative minimum tax.

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

Table of Contents

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND PAYING AGENT

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

LEGAL MATTERS

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

EXPERTS

The financial statements as of September 30, 2017 and September 30, 2016 and for each of the three years in the period ended September 30, 2017 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Annual Report on Internal Control over Financial Reporting) as of September 30, 2017 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are required to file reports, proxy statements and other information with the SEC. These documents may be inspected and copied for a fee at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549.

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

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

Table of Contents

INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

<u>Consolidated Statements of Assets and Liabilities as of December 31, 2017 and September 30, 2017</u>	S-F-2
<u>Consolidated Statements of Operations for the three months ended December 31, 2017 and 2016</u>	S-F-3
<u>Consolidated Statements of Changes in Net Assets for the three months ended December 31, 2017 and 2016</u>	S-F-4
<u>Consolidated Statements of Cash Flows for the three months ended December 31, 2017 and 2016</u>	S-F-5
<u>Consolidated Schedules of Investments as of December 31, 2017 and September 30, 2017</u>	S-F-6
<u>Notes to Consolidated Financial Statements</u>	S-F-18

S-F-1

Table of Contents**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.

S-F-2

Table of Contents

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31,	
	2017	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
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.

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

Table of Contents

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

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

S-F-4

Table of Contents

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

	Three Months Ended December 31,	
	2017	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.

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

S-F-5

Table of Contents

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) ^(F)	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) ^(G)	23,000	23,000	23,690
Travel Sentry, Inc. Term Debt (L + 8.0%, 9.7% Cash, Due 12/2021) ^(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)			

Edgar Filing: GLADSTONE CAPITAL CORP - Form 497

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