GLADSTONE INVESTMENT CORPORATION\DE
Form 497
September 20, 2016
Table of Contents

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File No. 333-204996

PROSPECTUS SUPPLEMENT

(to Prospectus dated July 28, 2016)

2,000,000 Shares

Gladstone Investment Corporation

6.25% Series D Cumulative Term Preferred Stock due 2023

(Liquidation Preference $25 per Share)

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

We are offering 2,000,000 shares of our 6.25% Series D Cumulative Term Preferred Stock due 2023, or the Series D Term Preferred Stock. We will pay monthly dividends on the Series D Term Preferred Stock at an annual rate of 6.25% of the $25 liquidation preference per share, or $1.5625 per share of Series D Term Preferred Stock per year, monthly, as declared by our Board of Directors, commencing on October 31, 2016.

We are required to redeem all of the outstanding Series D Term Preferred Stock on September 30, 2023, at a redemption price equal to $25 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption. We will also be required to redeem Series D Term Preferred Stock at a redemption price equal to $25 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption in the event of certain events that constitute a change of control of the company. If we fail to maintain an Asset Coverage ratio of at least 200%, we will redeem a sufficient number of shares of our 7.125% Series A Cumulative Term Preferred Stock (Series A Term Preferred Stock) (traded on the NASDAQ Global Select Market (NASDAQ) under the symbol GAINP), 6.75% Series B Cumulative Term Preferred Stock (Series B Term Preferred Stock) (traded on NASDAQ under the symbol GAINO), 6.50% Series C Cumulative Term Preferred Stock (Series C Term Preferred Stock) (traded on NASDAQ under the symbol GAINN), Series D Term Preferred Stock and any other series of outstanding shares of preferred stock issued by us (collectively, the Preferred Stock) in an amount at least equal to the lesser of (1) the minimum number of shares of Preferred Stock necessary to cause us to meet our required Asset Coverage ratio and (2) the maximum number of Preferred Stock that we can redeem out of cash legally available for such redemption. At any time on or after September 30, 2018, at our sole option, we may redeem the Series D Term Preferred Stock at a redemption price of $25 per share of Series D Term Preferred Stock, plus any accumulated but unpaid dividends, if any, on the Series D Term Preferred Stock up to, but excluding, the date of redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series D Term Preferred Stock on September 30, 2023 or pay dividends at the stated rate without the prior unanimous consent of the holders of Series D Term Preferred Stock.

Each holder of our Series D Term Preferred Stock (and any other outstanding Preferred Stock we have issued or may issue in the future) will be entitled to one vote for each share held by such holder on any matter submitted to a vote of our stockholders, and the holders of all of our outstanding Preferred Stock and common stock will generally vote together as a single class. The holders of the Series Term D Preferred Stock, Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock and any other Preferred Stock we may issue in the future, voting separately as a single class, will elect two of our directors and, upon our failure to pay dividends for at least two years, will elect a majority of our directors. The Series D Term Preferred Stock will rank equally in right of payment with all other shares of Preferred Stock and will rank senior in right of payment to our outstanding common stock.

We have applied to have the Series D Term Preferred Stock listed on NASDAQ under the symbol GAINM. Our common stock is traded on NASDAQ under the symbol GAIN. On September 16, 2016, the last sale price of our common stock, Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock as reported on NASDAQ was $8.77 per share, $25.83 per share and $25.75 per share and $26.24 per share, respectively. The Series D Term Preferred Stock has no trading history and will not be convertible into our common stock or any other security of our company.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Series D Term Preferred Stock, including information about risks. Please read it before you invest and retain it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission, or the SEC, and can be accessed at its website at www.sec.gov. You may also request this and other information free of charge, or make other stockholder inquiries, by calling (866) 366-5745, from our website (www.GladstoneInvestment.com) or by writing us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22012. See *Additional Information* in the accompanying prospectus.

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

Investing in the Series D Term Preferred Stock involves a high degree of risk, including, among other things, the risk of leverage and risks relating to investments in securities of small, private and developing businesses. You could lose some or all of your investment. You should carefully consider each of the factors described under *Risk Factors* beginning on page S-10 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before you invest in the Series D Term Preferred Stock.

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

	PER SHARE	TOTAL [(2)]
Public offering price	$ 25.00	$ 50,000,000
Underwriting discounts and commissions (sales load)	$ 0.78125	$ 1,562,500
Proceeds, before expenses, to us [(1)]	$ 24.21875	$ 48,437,500

(1) Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $0.2 million.

(2) We have granted the underwriters a 30-day option to purchase up to an additional 300,000 shares of Series D Term Preferred Stock from us on the same terms and conditions set forth above solely to cover overallotments, if any. If such option is exercised in full, the total public offering price will be $57,500,000, the total underwriting discounts and commissions will be $1,796,875 and total proceeds, before expenses, to us would be $55,703,125. See *Underwriting* on page S-55 of this prospectus supplement for additional information with respect to our arrangements with the underwriters, including stabilizing transactions and other transactions that affect the price of the Series D Term Preferred Stock.

The underwriters expect to deliver the Series D Term Preferred Stock on or about September 26, 2016.

Joint Book-Running Managers

Janney Montgomery Scott **Ladenburg Thalmann**

Co-Lead Managers

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

Co-Managers

William Blair **Maxim Group LLC**

Prospectus Supplement dated September 19, 2016

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

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

TABLE OF CONTENTS

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information included in the prospectus supplement and the accompanying prospectus. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Company s Certificate of Designation of 6.25% Series D Cumulative Term Preferred Stock due 2023 of Gladstone Investment Corporation, or the Certificate of Designation, the form of which is attached as Appendix A to this prospectus supplement, and especially the information set forth under the heading Risk Factors prior to making an investment in the Series D Term Preferred Stock. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, we, us or our refers to Gladstone Investment Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to our Adviser and its affiliated companies. Capitalized terms used but not defined in this prospectus supplement or accompanying prospectus have the meanings given to such terms in the Certificate of Designation. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their overallotment option.

Gladstone Investment Corporation

Gladstone Investment Corporation was organized under the laws of the State of Delaware on February 18, 2005. We are an externally managed specialty finance company that generally invests in secured first or second lien debt in combination with a direct equity investment in established U.S. businesses. Our investments are structured with the goal of producing a mix of assets to provide current income from our debt investments and capital gains from our equity investments at exit.

As of June 30, 2016, our portfolio consisted of investments in 36 portfolio companies located in 19 states across 17 different industries with an aggregate fair value of $491.0 million, consisting of secured first lien term debt, secured second lien term debt, preferred equity and common equity. Our weighted average yield on our interest-bearing investments for the three months ended June 30, 2016, excluding cash and cash equivalents and receipts recorded as other income, was 12.7%. For both fiscal years ended March 31, 2016 and 2015, our weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 12.6%. Since our initial public offering in June 2005, we have made 134 consecutive monthly distributions on our common stock, par value $0.001 per share, or Common Stock.

We operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of September 16, 2016, we had 30,270,958 shares of Common Stock outstanding, 1,600,000 shares of Series A Term Preferred Stock outstanding 1,656,000 shares of Series B Term Preferred Stock outstanding and 1,610,000 shares of Series C Term Preferred Stock outstanding. We are required to redeem all shares of Series A Term Preferred Stock on February 28, 2017, all shares of Series B Term Preferred Stock on December 31, 2021 and all shares of Series C Term Preferred stock on May 31, 2022.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at http://www.GladstoneInvestment.com. Information on, or accessible through, our website is not incorporated into or a part of this prospectus supplement or the accompanying prospectus.

S-1

Table of Contents

Investment Adviser and Administrator

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

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities, generally in combination with the aforementioned debt 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 $5 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We intend that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2016, our investment portfolio was made up of 71.9% in debt securities and 28.1% in equity securities, at cost.

In July 2012, the U.S. SEC granted us an exemptive order (the Co-Investment Order) that expanded our ability to co-invest with certain of our affiliates, including Gladstone Capital, under certain circumstances and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC s order.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the one-month London Interbank Offered Rate (LIBOR)) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, and which may include a yield

Table of Contents

enhancement such as a success fee or deferred interest provision and are primarily interest only, with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of the business. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind (PIK) interest.

Typically, our investments in equity securities take the form of common stock, preferred stock, limited liability company interests, or warrants or options to purchase the foregoing. Often, these equity investments occur in connection with our original investment, buyouts and recapitalizations of a business, or refinancing existing debt. Since our initial public offering in 2005 and through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans. Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice to or approval of our stockholders.

We expect that our investment portfolio will primarily include the following three categories of investments in private companies in the U.S.:

First Lien Secured Debt Securities: We seek to invest a portion of our assets in first lien secured debt securities also known as senior loans, senior term loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses first lien secured debt to cover a substantial portion of the funding needs of the business. These debt securities usually take the form of first priority liens on all, or substantially all, of the assets of the business.

Second Lien Secured Debt Securities: We seek to invest a portion of our assets in second lien secured debt securities, which may also be referred to as subordinated loans, subordinated notes and mezzanine loans. These second lien secured debt securities rank junior to the borrower s first lien secured debt securities and may be secured by second priority liens on all or a portion of the assets of the business. Additionally, we may receive other yield enhancements, such as warrants to buy common and preferred stock or limited liability interests, in connection with these second lien secured debt securities.

Preferred and Common Equity/Equivalents: We seek to invest a portion of our assets in equity securities, which consist of preferred and common equity, limited liability company interests, warrants or options to acquire such securities, and are generally 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 many cases, we will own a significant portion of the equity of the businesses in which we invest.

Pursuant to the 1940 Act, we must maintain at least 70% of our total assets in qualifying assets, which generally include each of the investment types listed above. Therefore, the 1940 Act permits us to invest up to 30% 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. See *Business Investment Process* included in the accompanying prospectus for additional information on our investment practices.

Table of Contents

Recent Developments

Renewal of our Advisory Agreement

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

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

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

Conditional Redemption of Series A Term Preferred Stock

On September 19, 2016, we announced the conditional redemption of all 1,600,000 outstanding shares of our Series A Term Preferred Stock with a redemption date of September 30, 2016. This redemption is conditioned on the closing of this offering on or prior to September 30, 2016. We may waive this contingency with respect to the redemption, may authorize a partial redemption and may cancel the redemption in our sole discretion.

Table of Contents

THE OFFERING

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

Issuer	Gladstone Investment Corporation
Securities Offered	2,000,000 shares of Series D Term Preferred Stock or 2,300,000 shares if the underwriters exercise their overallotment option in full.
Listing	We have applied to list the Series D Term Preferred Stock on NASDAQ under the symbol GAINM. Trading on the Series D Term Preferred Stock is expected to begin within 30 days of the date of this prospectus supplement. Prior to the expected commencement of trading on NASDAQ, the underwriters may make a market in the Series D Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice.
Liquidation Preference	In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series D Term Preferred Stock will be entitled to receive a liquidation distribution equal to $25 per share (which we refer to in this prospectus supplement as the Liquidation Preference), plus an amount equal to all accumulated but unpaid dividends and distributions, if any, up to, but excluding, the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest on any such distribution or payment. See *Description of the Series D Term Preferred Stock Liquidation Rights*.
Dividends	The Series D Term Preferred Stock will pay a monthly dividend at a fixed annual rate of 6.25% of the Liquidation Preference, or $1.5625 per share per year, which we refer to as the Fixed Dividend Rate. The Fixed Dividend Rate is subject to adjustment under certain circumstances, but will not in any case be lower than $1.5625 per share per year.
	Cumulative cash dividends or distributions on each Series D Term Preferred Share will be payable monthly, when, as and if declared by our Board of Directors or a duly authorized committee of our Board of Directors out of funds legally available for such payment. The first dividend period for the Series D Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering,

	which we refer to as the Date of Original Issue, and will end on October 31, 2016.
Ranking	The shares of Series D Term Preferred Stock are senior securities that constitute capital stock of the Company.

Table of Contents

The Series D Term Preferred Stock ranks:

- senior to the Common Stock in priority of payment of dividends and as to the distribution of assets upon dissolution, liquidation or the winding-up of our affairs;
- equal in priority with all other series of Preferred Stock we have issued or may issue in the future as to priority of payment of dividends and as to distributions of assets upon dissolution, liquidation or the winding-up of our affairs; and
- effectively subordinated to our existing and future indebtedness, including borrowings under our Fifth Amended and Restated Credit Agreement, dated April 30, 2013 (the Credit Facility).

We may issue additional shares of Preferred Stock, but we may not issue additional classes of capital stock that rank senior to the Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock or Series D Term Preferred Stock as to priority of payment of dividends and as to distribution of assets upon dissolution, liquidation or winding-up of our affairs. We may, however, borrow funds from banks and other lenders so long as the ratio of (1) the value of total assets less the total borrowed amounts to (2) the sum of all senior securities representing indebtedness and the number of shares of outstanding Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock multiplied by $25 per share is not less than 2 to 1.

Mandatory Term Redemption

We are required to redeem all outstanding Series D Term Preferred Stock on September 30, 2023, or the Mandatory Term Redemption Date, at a redemption price equal to the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series D Term Preferred Stock pursuant to the mandatory redemption required on September 30, 2023, or in any other circumstance in which we are required to redeem the Series D Term Preferred Stock, then the Fixed Dividend Rate will increase by three percent (3.00%) for so long as such failure continues. See *Description of the Series D Term Preferred Stock Redemption* and *Voting Rights*.

Mandatory Redemption for Asset Coverage	If we fail to maintain Asset Coverage (as defined below) of at least 200% as of the time of declaration of dividends or other distributions on the Company s common stock (other than dividends payable in shares of common stock) after deducting the amount of such dividend or other distribution as of the time of purchase of the Company s common stock or issuance of any senior security as defined in the 1940 Act, and such failure is not cured in 90 calendar days after the date of such failure (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within

Table of Contents

90 calendar days of the Asset Coverage Cure Date, shares of Preferred Stock equal to the lesser of (1) the minimum number of shares of Preferred Stock that will result in our having Asset Coverage of at least 200% and (2) the maximum number of shares of Preferred Stock that can be redeemed out of funds legally available for such redemption, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having Asset Coverage of up to and including 240%. The Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and other future series of Preferred Stock. If shares of Series D Term Preferred Stock are to be redeemed in such an event, they will be redeemed at a redemption price equal to the Liquidation Preference, plus accumulated but unpaid dividends, if any, on such shares (whether or not declared, but excluding interest on accumulated but unpaid dividends, if any) up to, but excluding, the date fixed for such redemption.

Asset Coverage for purposes of our Preferred Stock is calculated in accordance with Sections 18 and 61 of the 1940 Act, as in effect on the date of the Certificate of Designation, and is determined on the basis of values calculated as of a time within 48 hours (only including Business Days) preceding each determination. We estimate that, on the Date of Original Issue, our Asset Coverage, based on the composition and value of our portfolio as of June 30, 2016, and after giving effect to (1) the issuance of the Series D Term Preferred Stock offered in this offering, and (2) the payment of underwriting discounts and commissions of $1.6 million and estimated related offering costs payable by us of approximately $0.2 million, would have been 212.0% prior to the activity noted in the *Use of Proceeds* section. We estimate that following our expected use of proceeds, which includes the full redemption of our Series A Term Preferred Stock, our Asset Coverage would be 237.7%. Our net investment income, including prior period undistributed net investment income, coverage, which is calculated by dividing the sum of our undistributed net investment income at the beginning of the period and our net investment income during the period by the amount of distributions from net investment income to holders of our Common Stock during the period, was approximately 124.1% for the year ended March 31, 2016 and approximately 233.2% for the three months ended June 30, 2016. Net investment income coverage has varied each year since our inception, and there is no assurance that historical coverage levels will be maintained. See *Description of the Series D Term Preferred Stock Asset Coverage*.

Optional Redemption	At any time on or after September 30, 2018, at our sole option, we may redeem the Series D Term Preferred Stock in whole or from time to time, in part, out of funds legally available for such redemption, at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the date fixed for such redemption. See *Description of the Series D Term Preferred Stock Redemption Optional Redemption.*
Change of Control Redemption	If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series D Term Preferred Stock, we will be required to redeem all of the outstanding Series D Term Preferred Stock at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. For the definition of Change of Control Triggering Event and additional information concerning the redemption of the Series D Term Preferred Stock in connection with such events, see *Description of the Series D Term Preferred Stock Redemption Change of Control.*
Voting Rights	Except as otherwise provided in our Amended and Restated Certificate of Incorporation or as otherwise required by law, (1) each holder of Preferred Stock (including the Series D Term Preferred Stock) will be entitled to one vote for each share of Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Preferred Stock and Common Stock will vote together as a single class; provided, that holders of Preferred Stock, voting separately as a class, will be entitled to elect two of our directors and, if we fail to pay dividends on any outstanding shares of Preferred Stock in an amount equal to two full years of dividends and continuing until such failure is corrected, will be entitled to elect a majority of our directors. Preferred Stock holders will also vote by series separately as a class on any matter that materially and adversely affects any preference, right or power of holders of such series of Preferred Stock. See *Description of the Series D Term Preferred Stock Voting Rights.*
Conversion Rights	The Series D Term Preferred Stock will have no conversion rights.
Use of Proceeds	We intend to use the net proceeds from this offering of approximately \$48.2 million (after the payment of underwriting discounts and commissions of \$1.6 million and estimated offering expenses payable by us of approximately \$0.2 million) to redeem outstanding shares of our Series A Term Preferred Stock, to pay down our Credit Facility and for

other general corporate purposes. See *Use of Proceeds*.

S-8

Table of Contents

U.S. Federal Income Taxes	Prospective investors are urged to consult their own tax advisors regarding the tax considerations relevant to holders of the Series D Term Preferred Stock in light of their personal investment circumstances.
	We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to U.S. federal income tax.
	The dividends on the Series D Term Preferred Stock generally will not qualify for the dividends received deduction or for taxation as qualified dividend income.
Risk Factors	Investing in the Series D Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections entitled *Risk Factors* beginning on page S-10 of this prospectus supplement and page 12 of the accompanying prospectus before deciding whether to invest in our Series D Term Preferred Stock.
Information Rights	During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any shares of Series D Term Preferred Stock are outstanding, we will provide holders of Series D Term Preferred Stock, without cost, copies of annual reports and quarterly reports substantially similar to the reports on Form 10-K and Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.
Redemption and Paying Agent	We have entered into an amendment to our Transfer Agency and Service Agreement with Computershare, Inc., or Computershare, or the Redemption and Paying Agent. Under this amendment, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series D Term Preferred Stock.

Table of Contents

RISK FACTORS

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

Risks of Investing in Preferred Stock

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

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

The Series D Term Preferred Stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares.

The shares of Series D Term Preferred Stock are a new issue of securities with no established trading market. We intend to apply to list the Series D Term Preferred Stock on the NASDAQ Global Select Market under the symbol GAINM, but there can be no assurance that NASDAQ will accept the Series D Term Preferred Stock for listing. Even if the application is approved, however, an active trading market for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of Series D Term Preferred Stock will be limited. If an active trading market does develop, the Series D Term Preferred Stock may trade at prices lower than the initial offering price. The trading price of the Series D Term Preferred Stock would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;

- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

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

Preferred stock, including the Series D Term Preferred Stock, pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities

Table of Contents

comparable to the Series D Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Series D Term Preferred Stock prior to the Mandatory Term Redemption Date. This risk may be even more significant in light of low currently prevailing market interest rates. For additional information concerning dividends on the Series D Term Preferred Stock, see *Description of the Series D Term Preferred Stock Dividends and Dividend Periods.*

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

We have applied to list the Series D Term Preferred Stock on NASDAQ, and we do not know when the Series D Term Preferred Stock will be approved for listing, if at all. If approved, we expect the Series D Term Preferred Stock to begin trading on NASDAQ within 30 days of the date of this prospectus supplement. During the time the Series D Term Preferred Stock is not listed on NASDAQ, the underwriters may make a market in the Series D Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice. Consequently, an investment in the Series D Term Preferred Stock during this period may be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that an active secondary market for the Series D Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series D Term Preferred Stock may be able to sell such shares only at substantial discounts from the Liquidation Preference. We cannot accurately predict the trading patterns of the Series D Term Preferred Stock, including the effective costs of trading the stock. Even if our Series D Term Preferred Stock begins trading on NASDAQ, there is also a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features.

The Series D Term Preferred Stock will not be rated.

We do not intend to have the Series D Term Preferred Stock rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, there is a risk that the Series D Term Preferred Stock may trade at a price that is lower than it might otherwise trade if rated by a rating agency. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series D Term Preferred Stock. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series D Term Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series D Term Preferred Stock.

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

We may voluntarily redeem some or all of the Series D Term Preferred Stock on or after September 30, 2018, which is five years before the Mandatory Term Redemption Date of September 30, 2023. We also may be forced to redeem some or all of the Series D Term Preferred Stock to meet regulatory requirements and the Asset Coverage requirements of such shares. We are also required to redeem all of the Series D Term Preferred Stock upon a Change of Control Triggering Event. Any such redemption may occur at a time that is unfavorable to holders of the Series D Term Preferred Stock. We may have an incentive to redeem the Series D Term Preferred Stock voluntarily before the Mandatory Term Redemption Date if market conditions allow us to issue other Preferred Stock or debt securities at a rate that is lower than the Fixed Dividend Rate on the Series D Term Preferred Stock, or for other reasons. For further information regarding our ability to redeem the Series D Term Preferred Stock, see *Description of the Series D Term Preferred Stock Optional Redemption* and *Asset Coverage.*

Table of Contents

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

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

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

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

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

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

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

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

Holders of the Series D Term Preferred Stock will bear dividend risk.

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

We face Asset Coverage risks in our investment activities.

The Asset Coverage that we maintain on our Preferred Stock, including the Series D Term Preferred Stock, is based upon a calculation of the value of our portfolio holdings. Our portfolio investments are, and we expect a large percentage of such investments will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded is generally not readily

Table of Contents

determinable. Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer, employed by the Administrator (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses an established investment valuation policy, or the Policy, which has been approved by our Board of Directors, and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently. We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value, or TEV, of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value and whether it is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

A portion of our assets are, and may in the future be, comprised of debt and equity securities that are valued based on internal assessment using valuation methods approved by our Board of Directors, without the input of Standard & Poor s Securities Evaluations, Inc., or SPSE, or other third-party evaluators. While we believe that our debt and equity valuation methods reflect those regularly used as standards by other professionals in our industry who value equity securities, the determination of fair value for securities that are not publicly traded necessarily involves an exercise of subjective judgment, whether or not we obtain the recommendations of an independent third-party evaluator.

Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or SPSE, or determined using TEV, or the discounted cash flow, or DCF, methodology. As a result, a risk exists that the Asset Coverage attributable to the Preferred Stock, including the Series D Term Preferred Stock, may be materially lower than what is calculated based upon the fair valuation of our portfolio securities in accordance with our valuation policies. See *Risk Factors Risks Related to Our Investments Because the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our NAV* on page 14 of the accompanying prospectus.

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

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

Table of Contents

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

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

	ASSUMED RETURN ON OUR PORTFOLIO (NET OF EXPENSES)				
	(10)%	**(5)%**	**0%**	**5%**	**10%**
Corresponding return to common stockholder (1)	-20.91%	-12.40%	-3.89%	4.62%	13.13%

(1) The hypothetical return to common stockholders is calculated by multiplying our total assets as of June 30, 2016, by the assumed rates of return and subtracting all interest accrued on our debt and dividends on our mandatorily redeemable preferred stock expected to be paid or declared during the twelve months following June 30, 2016, adjusted for the assumed dividends declared on the Series D Term Preferred Stock to be issued in this offering (and assuming proceeds are used as described under *Use of Proceeds*); and then dividing the resulting difference by our total assets attributable to Common Stock as of June 30, 2016. Based on $507.0 million in total assets, $79.6 million in borrowings outstanding on our Credit Facility, $5.1 million in a secured borrowing, $40.0 million in aggregate liquidation preference of Series A Term Preferred Stock, $41.4 million in aggregate liquidation preference of Series B Term Preferred Stock, $40.3 million in aggregate liquidation preference of Series C Term Preferred Stock and $297.9 million in net assets as of June 30, 2016 and assuming the Series D Term Preferred Stock to be issued in this offering is outstanding during the entire period and assuming proceeds are used as described under *Use of Proceeds*.

Based on an outstanding indebtedness of $84.7 million as of June 30, 2016, and the effective annual interest rate of 3.9% as of that date, aggregate liquidation preference of our Series B Term Preferred Stock of $41.4 million at a dividend rate of 6.75%, aggregate liquidation preference of our Series C Term Preferred stock of $40.3 million at a dividend rate of 6.50%, aggregate Liquidation Preference of the Series D Term Preferred Stock of $50.0 million to be issued in this offering at a dividend rate of 6.25%, and redemption of our Series A Term Preferred Stock with an aggregate liquidation preference of $40.0 million, our investment portfolio at fair value would have been required to experience an annual return of at least 2.36% to cover annual interest payments on our outstanding debt and dividends on the Series B, Series C and Series D Term Preferred Stock.

Other Risks

In addition to regulatory limitations on our ability to raise capital, the Credit Facility contains various covenants that, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. In addition, we are obligated to redeem our Series A Term Preferred Stock in February 2017, to redeem our Series B Term Preferred Stock in December 2021 and to redeem our Series C Term Preferred Stock in May 2022. If we do not have sufficient funds to redeem the Series A Term Preferred Stock, the Series B Term Preferred Stock, or the Series C Term Preferred Stock, or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and

results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

We will have a continuing need for capital to finance our loans. We are party to a credit facility, which provides us with a revolving credit line facility of $185.0 million, of which $76.4 million was drawn as of September 16, 2016. The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement and is currently scheduled to mature in June 2019. As a result of the Credit Facility, we are subject to certain limitations on the type of loan investments we make, including, but not limited to, restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment frequency and status, and average life. The Credit Facility also requires us to comply with other financial and operational covenants, which require us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum net worth. As of September 16, 2016, we were in compliance with these covenants; however, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Current market conditions have forced us to write down the value of a portion of our assets as required by the 1940 Act and fair value accounting rules. These are not realized losses, but constitute adjustment in asset values for purposes of financial reporting and for collateral value for the Credit Facility. As assets are marked down in value, the amount we can borrow on the Credit Facility decreases.

In particular, depreciation in the valuation of our assets, which valuation is subject to changing market conditions that remain very volatile, affects our ability to comply with the covenants under the Credit Facility. As of June 30, 2016, our net assets were $297.9 million, up from $279.0 million at March 31, 2016. The increase in our net assets is primarily a result of unrealized appreciation over the respective periods. The minimum net worth covenant contained in the credit agreement requires our net assets to be at least $170.0 million plus 50% of all equity and subordinated debt raised after June 26, 2014 minus 50% of all equity and subordinated debt retired or redeemed after June 26, 2014, which equates to $224.9 million as of June 30, 2016. Despite the recent increase in our net assets, the fair value of our investment portfolio remains less than the cost basis by approximately $31.4 million as of June 30, 2016. Given the slow recovery and general volatility in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under the Credit Facility. Accordingly, there are no assurances that we will continue to comply with these covenants. Under the Credit Facility, we are also required to maintain our status as a BDC under the 1940 Act and as a RIC under the Code. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

We are required to redeem all outstanding shares of Series A Term Preferred Stock on February 28, 2017, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the redemption date. If we fail to redeem the Series A Term Preferred Stock pursuant to the mandatory redemption required on February 28, 2017, or in any other circumstance in which we are required to redeem the Series A Term Preferred Stock, then the fixed dividend rate of the Series A Term Preferred Stock will increase to an annual rate of 11% for so long as such failure continues. If we do not have sufficient funds to redeem the Series A Term Preferred Stock, whether from this offering or otherwise, or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

In addition, we are required to redeem all outstanding shares of Series B Term Preferred Stock on December 31, 2021, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the redemption date. If we fail to redeem the Series B Term Preferred Stock pursuant to the mandatory redemption required on December 31, 2021, or in any other circumstance in which we are required to redeem the Series B Term Preferred Stock, then the fixed dividend rate of the Series B Term Preferred Stock will increase to an annual rate of 10.75% for so long as such failure continues. If we do not have sufficient funds to redeem the Series B Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

Further, we are required to redeem all outstanding shares of Series C Term Preferred Stock on May 31, 2022, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the redemption date. If we fail to redeem the Series C Term Preferred Stock pursuant to the mandatory redemption required on May 31, 2022, or in any other circumstance in which we are required to redeem the Series C Term Preferred Stock, then the fixed dividend rate of the Series C Term Preferred Stock will increase to an annual rate of 10.50% for so long as such failure continues. If we do not have sufficient funds to redeem the Series C Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

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

As of June 30, 2016, we had $40.0 million outstanding of Series A Term Preferred Stock, $41.4 million outstanding of Series B Term Preferred Stock, $40.3 million outstanding of Series C Term Preferred Stock, $79.6 million of borrowings outstanding under the Credit Facility, and a $5.1 million secured borrowing. We intend to use the proceeds from this offering to redeem all outstanding shares of the Series A Term Preferred Stock, to repay borrowings under our Credit Facility and for other general corporate purposes. We anticipate that substantially all of the net proceeds of this offering will be used to redeem the shares of Series A Term Preferred Stock within three months of the completion of this offering; however, we cannot assure you that we will be able to redeem the shares of Series A Term Preferred Stock within this time period or at all. Until such time as the Series A Term Preferred Stock is redeemed in full using the proceeds of this offering (and, to the extent that the aggregate amount of shares of Series D Term Preferred Stock issued in this offering exceeds the aggregate amount of Series A Term Preferred Stock currently outstanding, following such redemption of the Series A Term Preferred Stock), our amount of senior securities outstanding will increase as a result of this offering.

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

- making it more difficult for us to meet our payment and other obligations under the Credit Facility;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in the Credit Facility, which event of default could result in all amounts outstanding under the Credit Facility becoming immediately due and payable;
- reducing the availability of our cash flow to fund investments and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

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

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

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

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

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

In addition, we may issue debt securities, other evidences of indebtedness (including borrowings under the Credit Facility), senior securities representing indebtedness and senior securities that are stock up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities that are stock (such as our Preferred Stock), in amounts such that our asset coverage, in accordance with Sections 18 and 61 of the 1940 Act, is at least 200% immediately after each issuance of such senior security. The issuance of additional senior securities in this offering may increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, especially prior to any redemption of the Series A Term Preferred Stock. Our ability to pay distributions, issue senior securities or repurchase shares of our Common Stock would be restricted if the asset coverage on each of our senior securities is not at least 200%. If the aggregate value of our assets declines, we might be unable to satisfy that 200% requirement. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue Common Stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue Common Stock at a price below net asset value (NAV) per common share, as we have in October 2012 and in March 2015 for two separate follow-on common offerings, any non-participating common stockholders will be subject to dilution.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- further adverse changes in the economy and the capital markets;
- 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, David A. R. Dullum or Terry Lee Brubaker;
- changes in our business strategy;
- availability, terms and deployment of capital;
- changes in our industry, interest rates or exchange rates or the general economy;
- the business prospectus of our portfolio companies;
- the degree and nature of our competition;
- our ability to maintain our qualification as a RIC and as a BDC;
- our ability to defend successfully claims and litigation against us; and
- those factors described in the Risk Factors sections of this prospectus supplement and the accompanying prospectus.

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

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us of this offering will be approximately $48.2 million, after the payment of underwriting discounts and commissions of $1.6 million and estimated offering expenses of $0.2 million payable by us. We intend to use the net proceeds from this offering to redeem outstanding shares of Series A Term Preferred Stock, to repay borrowings under our Credit Facility and for other general corporate purposes. Shares of our Series A Term Preferred Stock accrue cumulative dividends at an annual rate of 7.125% and must be redeemed in full by February 28, 2017, the mandatory redemption date. The aggregate redemption price is $40.0 million, plus an amount equal to any accrued and unpaid dividends up to, but excluding, the date of redemption. As of June 30, 2016, we had $79.6 million of borrowings outstanding under the Credit Facility. As of September 16, 2016, we have $76.4 million outstanding under the Credit Facility. Indebtedness under the Credit Facility currently accrues interest at the rate of approximately 3.8%. The revolving period ends in June 2017 and outstanding balances under the Credit Facility are due and payable in June 2019.

We have granted the underwriters the right to purchase up to 300,000 additional shares of Series D Term Preferred Stock at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement solely to cover overallotments, if any. If the underwriters exercise such option in full, the estimated aggregate net proceeds to us, after the payment of underwriting discounts and commissions of $1.8 million and estimated offering expenses of $0.2 million payable by us, will be $55.5 million. We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of the completion of such offering.

Table of Contents

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

	FOR THE THREE MONTHS ENDED JUNE 30, 2016	FOR THE YEARS ENDED MARCH 31, 2016	2015	2014	2013	2012
	(Dollars in thousands)					
Net investment income	**$ 6,812**	$ 20,716	$ 19,897	$ 19,307	$ 16,488	$ 13,743
Add: fixed charges and preferred dividends	**3,520**	14,036	8,799	5,959	4,779	1,435
Earnings	**$ 10,332**	$ 34,752	$ 28,696	$ 25,266	$ 21,267	$ 15,178
Fixed charges and preferred dividends:						
Interest expense	**$ 971**	$ 4,154	$ 3,539	$ 2,075	$ 1,127	$ 768
Amortization of deferred financing costs	**481**	1,908	1,329	1,024	791	459
Preferred dividends	**2,065**	7,963	3,921	2,850	2,850	198
Estimated interest component of rent	**3**	11	10	10	11	10
Total fixed charges and preferred dividends	**$ 3,520**	$ 14,036	$ 8,799	$ 5,959	$ 4,779	$ 1,435
Ratio of earnings to combined fixed charges and preferred dividends	**2.9x**	2.5x	3.3x	4.2x	4.5x	10.6x

Computation of Pro Forma Ratio of Earnings to Combined Fixed Charges and Preferred Dividends After Adjustment for Issuance of the Series D Term Preferred Stock

	FOR THE THREE MONTHS ENDED JUNE 30, 2016	FOR THE YEAR ENDED MARCH 31, 2016
	(Dollars in thousands)	
Net investment income, as above	**$ 6,812**	$ 20,716
Add: fixed charges and preferred dividends, as above	**3,520**	14,036
Adjustments:		
Pro forma decrease in interest expense [(A)]	**(90)**	(331)
Pro forma increase of amortization of deferred financing costs [(B)]	**65**	258
Pro forma increase in preferred dividends [(C)]	**69**	275

Pro forma fixed charges and preferred dividends	**3,563**	14,239
Pro forma earnings	**$ 10,375**	$ 34,955
Pro forma ratio of earnings to combined fixed charges and preferred dividends (B)	**2.9x**	2.5x

(A) Pro forma decrease in interest expense on our Credit Facility related to this offering.
(B) Pro forma increase in amortization of deferred financing costs related to this offering. Pro forma numbers do not take into account adjustments for deferred financing cost amortization related to the redemption of our Series A Term Preferred Stock.
(C) Pro forma increase in preferred dividends paid related to this offering and the redemption of our Series A Term Preferred Stock.

Table of Contents

CAPITALIZATION

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

on an actual basis;

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

	AS OF JUNE 30, 2016	
	ACTUAL	AS ADJUSTED
	(Unaudited) (Dollars in thousands)	
Borrowings, at cost		
Borrowings under line of credit [1]	$ 79,600	$ 71,409
Secured borrowing	5,096	5,096
Total borrowings	84,696	76,505
Preferred Stock, at liquidation preference		
Series A Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 1,600,000 shares authorized, issued and outstanding, actual; 0 shares authorized, issued and outstanding, as adjusted	$ 40,000	$
Series B Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 1,656,000 shares authorized, issued and outstanding, actual and as adjusted	41,400	41,400
Series C Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 1,700,000 shares authorized, 1,610,000 issued and outstanding, actual and as adjusted	40,250	40,250
Series D Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 3,000,000 shares authorized, 2,000,000 shares issued and outstanding, as adjusted [2]		50,000
Net Assets Applicable to Common Stockholders		
Common stock, $.001 par value per share, 100,000,000 shares authorized, actual and as adjusted; 30,270,958 shares issued and outstanding, actual and as adjusted [3]	$ 30	$ 30
Capital in excess of par value	311,493	311,493
Cumulative net unrealized depreciation of investments	(31,382)	(31,382)
Net investment income in excess of distributions	7,603	7,603
Accumulated net realized gain	10,136	10,136
Total Net Assets Available to Common Stockholders	$ 297,880	$ 297,880

Total Capitalization	$ 504,226	$ 506,035

(1) As of September 16, 2016, prior to closing the offering of the Series D Term Preferred Stock, the outstanding balance on the Credit Facility was $76.4 million. The net repayments during the period from July 1, 2016 through September 16, 2016, are not included in the as adjusted balance outstanding on the Credit Facility.
(2) Exclusive of assumed aggregate underwriting discounts and commissions of $1.6 million and $0.2 million of estimated offering costs payable by us in connection with this offering.
(3) None of these outstanding shares are held by us or for our account.

Table of Contents

The following are our outstanding classes of securities as of June 30, 2016.

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY US OR FOR OUR ACCOUNT	AMOUNT OUTSTANDING (EXCLUSIVE OF AMOUNTS HELD BY US OR FOR OUR ACCOUNT)
Common Stock	100,000,000		30,270,958
Series A Term Preferred Stock	1,600,000		1,600,000
Series B Term Preferred Stock	1,656,000		1,656,000
Series C Term Preferred Stock	1,700,000		1,610,000

Table of Contents

SELECTED FINANCIAL INFORMATION

The following consolidated selected financial data for the fiscal years ended March 31, 2016, 2015, 2014, 2013 and 2012 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm. The consolidated selected financial data for the three months ended June 30, 2016 and 2015 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other unaudited data included at the bottom of the table are 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.

	Three Months Ended June 30,		Year Ended March 31,				
	2016	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
	(dollar amounts in thousands, except per share data)						
Statement of Operations Data:							
Total investment income	**$ 14,393**	$ 12,706	$ 50,955	$ 41,643	$ 36,264	$ 30,538	$ 21,242
Total expenses, net of credits from Adviser	**7,581**	7,543	30,239	21,746	16,957	14,050	7,499
Net investment income	**6,812**	5,163	20,716	19,897	19,307	16,488	13,743
Net realized and unrealized gain (loss)	**17,722**	3,396	4,138	30,317	(20,636)	791	8,223
Net increase (decrease) in net assets resulting from operations	**$ 24,534**	$ 8,559	$ 24,854	$ 50,214	$ (1,329)	$ 17,279	$ 21,966
Per Common Share Data:							
Net increase (decrease) in net assets resulting from operations per common share basic and diluted [(A)]	**$ 0.81**	$ 0.28	$ 0.82	$ 1.88	$ (0.05)	$ 0.71	$ 0.99
	0.23	0.17	0.68	0.75	0.73	0.68	0.62

Net investment income before net gain (loss) on investments per common share basic and diluted [(A)]							
Cash distributions declared per common share [(B)]	**0.19**	0.19	0.75	0.77	0.71	0.60	0.61
Statement of Assets and Liabilities Data:							
Total assets	**$ 507,039**	$ 501,774	$ 506,260	$ 483,521	$ 330,694	$ 379,803	$ 325,297
Net assets	**297,880**	279,754	279,022	273,429	220,837	240,963	207,216
Net asset value per common share	**9.84**	9.24	9.22	9.18	8.34	9.10	9.38
Common shares outstanding	**30,270,958**	30,270,958	30,270,958	29,775,958	26,475,958	26,475,958	22,080,133
Weighted common shares outstanding basic and diluted	**30,270,958**	30,260,079	30,268,253	26,665,821	26,475,958	24,189,148	22,080,133
Senior Securities Data:							
Total borrowings, at cost [(C)]	**$ 84,696**	$ 94,846	$ 100,096	$ 123,896	$ 66,250	$ 94,016	$ 76,005
Mandatorily redeemable preferred stock [(D)]	**121,650**	121,650	121,650	81,400	40,000	40,000	40,000

(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. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* to our *Consolidated Financial Statements* included elsewhere in this prospectus.

Table of Contents

(C) Includes borrowings under our Credit Facility, other secured borrowings, and short-term loans, as applicable.
(D) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

	Three Months Ended June 30,		Year Ended March 31,				
	2016	**2015**	**2016**	**2015**	**2014**	**2013**	**2012**
	(dollar amounts in thousands, except per share data)						
Other Unaudited Data:							
Number of portfolio companies	**36**	34	36	34	29	21	17
Average size of portfolio company investment at cost	**$ 14,510**	$ 15,213	$ 14,392	$ 14,861	$ 13,225	$ 15,544	$ 15,670
Total dollars invested	**28,976**	17,326	69,380	108,197	132,291	87,607	91,298
Total dollars repaid and collected from sales	**42,942**	5,548	44,582	11,260	83,415	28,424	27,185
Weighted average yield on investments (A)	**12.67%**	12.63%	12.62%	12.60%	12.61%	12.51%	12.32%
Total return (B)	**4.75**	10.07	4.82	11.96	24.26	4.73	5.58

(A) Weighted average yield on investments equals interest income earned on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year.
(B) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account common distributions reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account common distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* to our *Consolidated Financial Statements* included elsewhere in this prospectus.

Table of Contents

SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended March 31, 2016 and the first quarter of the fiscal year ending March 31, 2017. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Year ending March 31, 2017	**Quarter Ended June 30, 2016**
Total investment income	$ 14,393
Net investment income	6,812
Net increase in net assets resulting from operations	24,534
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.81

	Quarter Ended			
Year ended March 31, 2016	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**	**March 31, 2016**
Total investment income	$ 12,706	$ 13,740	$ 12,068	$ 12,441
Net investment income	5,163	6,023	4,631	4,899
Net increase (decrease) in net assets resulting from operations	8,559	(110)	(6,213)	22,618
Net increase (decrease) in net assets resulting from operations per weighted average common share basic & diluted	$ 0.29	$	$ (0.21)	$ 0.74

	Quarter Ended			
Year ended March 31, 2015	**June 30, 2014**	**September 30, 2014**	**December 31, 2014**	**March 31, 2015**
Total investment income	$ 9,837	$ 9,071	$ 11,562	$ 11,173
Net investment income	4,859	4,204	5,839	4,995
Net increase in net assets resulting from operations	10,770	2,697	7,589	29,158
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.41	$ 0.10	$ 0.29	$ 1.08

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

General

We were incorporated under the General Corporation Law of the State of Delaware on February 18, 2005. On June 22, 2005, we completed our initial public offering and commenced operations. We operate as an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under the Code. In order 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 our 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 in value 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 $5 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We seek to avoid investments in high-risk, early stage enterprises. We expect that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2016, our investment portfolio was made up of 71.9% in debt securities and 28.1% in equity securities, at cost.

We focus on investing in small and medium-sized private businesses in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples, and the potential to realize appreciation and gain liquidity in our equity position, if any. We anticipate that liquidity in our equity position will be achieved through a merger or acquisition of the borrower, a public offering of the borrower s stock or by exercising our right to require the borrower to repurchase our warrants, though there can be no assurance that we will always have these rights. 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.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity.

Additionally, in July 2012, the SEC granted us the Co-Investment Order that expanded our ability to co-invest with certain of our affiliates under certain circumstances and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC s order. We have opportunistically made several co-investments with our affiliate, Gladstone Capital Corporation, pursuant to the Co-Investment Order. We believe the Co-Investment Order has enhanced and 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, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

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

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. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the voluntary, unconditional, and irrevocable credits against the base management fee. For additional information refer to Note 4 *Related Party Transactions* of the notes to our accompanying *Consolidated Financial Statements*.

Our shares of common stock, Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock are traded on NASDAQ under the trading symbols GAIN, GAINP, GAINO, and GAINN, respectively.

Business

Portfolio Activity

While economic conditions remain challenging, we are seeing many new investment opportunities consistent with our investment strategy of providing a combination of debt and equity in support of management and sponsor-led buyouts of small and medium-sized companies in the U.S. During the three months ended June 30, 2016, we invested $25.5 million in one new portfolio company and exited one existing portfolio company with a fair value of $44.9 million as of March 31, 2016; therefore, the number of portfolio companies was 36 as of both June 30, 2016 and March 31, 2016. From our initial public offering in June 2005 through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans, for a total of approximately $860 million before giving effect to principal repayments and divestitures. For the three months ended June 30, 2016, our new investments consisted of 72.9% secured second lien loans and 27.1% equity investments, based on the originating principal balances.

The majority of the debt securities in our portfolio have a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally do not recognize success fees as income until they are received in cash. Due to the contingent nature of success fees, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of such collections. As a result, as of June 30, 2016, we had unrecognized success fees of $29.9 million, or $0.99 per common share. Consistent with GAAP, we have not recognized success fee receivables and related income in our *Consolidated Financial Statements* until earned.

Since inception, we have closed eight buyout liquidity events, which, in the aggregate, have generated $88.4 million in net realized gains and $18.9 million in other income, for a total increase to our net assets of $107.3

million. We believe each of these transactions was an equity-oriented investment success and exemplifies our investment strategy of striving to achieve returns through current income on the debt portion of our investments and capital gains from the equity portion. The eight liquidity events have offset our cumulative realized losses since inception, which were primarily incurred during the recession in connection with the sale of performing syndicated loans at a realized loss to pay off a former lender. These successful exits, in part, enabled us to increase the monthly distribution by 56.3% since March 2011, and allowed us to declare and pay a $0.03 per common share one-time special distribution in fiscal year 2012, a $0.05 per common share one-time special distribution in November 2013, and a $0.05 per common share one-time special distribution in December 2014.

Capital Raising Efforts

Despite the challenges that have existed in the economy for the past several years, we have been able to meet our capital needs through extensions of and increases to our Credit Facility and by accessing the capital markets in the form of public offerings of common and preferred stock. We have successfully extended our Credit Facility s revolving period multiple times, most recently to June 2017, and increased the commitment from $60.0 million to $185.0 million (with a potential total commitment of $250.0 million through additional commitments of new or existing lenders). Additionally, we issued approximately 3.8 million shares of common stock for gross proceeds of $28.1 million in March 2015, inclusive of the April 2015 overallotment, and 1.6 million shares of our Series C Term Preferred Stock for gross proceeds of $40.3 million in May 2015. 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 our Credit Facility.

Although we were able to access the capital markets historically, we believe market conditions continue to affect the trading price of our common stock and thus our ability to finance new investments through the issuance of common equity. On September 16, 2016, the closing market price of our common stock was $8.77 per share, which represented a 10.9% discount to our NAV of $9.84 per share as of June 30, 2016. When our common stock trades below NAV, our ability to issue additional equity is constrained by provisions of the 1940 Act, which generally prohibit the issuance and sale of our common stock at an issuance price below the then current NAV per share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering.

At our 2015 Annual Meeting of Stockholders held on August 6, 2015, our stockholders approved a proposal authorizing us to issue and sell shares of our common stock at a price below our then current NAV per share, subject to certain limitations, including that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale, provided that our board of directors (our Board of Directors) makes certain determinations prior to any such sale. This August 2015 stockholder authorization is in effect for one year from the date of stockholder approval. At our 2016 Annual Meeting of Stockholders held on August 4, 2016, we asked our stockholders to vote in favor of a similar proposal, which was approved to be effective through August 2017. We sought and obtained stockholder approval concerning similar proposals at each Annual Meeting of Stockholders since 2008, and with our Board of Directors subsequent approval, we issued shares of our common stock in March and April 2015 and October and November 2012 at a price per share below the then current NAV per share. The resulting proceeds, in part, have allowed us to grow the portfolio by making new investments, generate additional income through these new investments, provide us additional equity capital to help ensure continued compliance with regulatory tests and increase our debt capital while still complying with our applicable debt-to-equity ratios. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our common stock.

Regulatory Compliance

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have an asset coverage ratio

Table of Contents

(in accordance with Sections 18 and 61 of the 1940 Act) of at least 200.0% on each of our senior securities representing indebtedness and our senior securities that are stock (such as our three series of term preferred stock).

Investment Highlights

During the three months ended June 30, 2016, we disbursed $25.5 million in new debt and equity investments, received $43.5 million in proceeds from repayments and sales, and extended $3.5 million of follow-on investments to existing portfolio companies through revolver draws or additions to equity. From our initial public offering in June 2005 through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans, for a total of approximately $860 million before giving effect to principal repayments and divestitures.

Investment Activity

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

- In April 2016, we sold our investment in Acme Cryogenics, Inc. (Acme), which resulted in dividend income of $2.8 million and a net realized gain of $18.8 million. In connection with the sale, we received net cash proceeds of $44.6 million, including the repayment of our debt investment of $14.5 million at par and net receivables of $0.6 million, which are recorded within Other assets, net on the accompanying *Consolidated Statement of Assets and Liabilities* included elsewhere in this prospectus supplement.

- In May 2016, we invested $25.5 million in The Mountain Corporation (The Mountain) through a combination of secured second lien debt and preferred equity. The Mountain, headquartered in Keene, New Hampshire, is a designer and manufacturer of premium quality, bold artwear apparel serving a diverse global customer base.

Recent Developments

Registration Statement

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common or preferred stock, including through concurrent, separate offerings of such securities. No securities have been issued to date under the registration statement.

Distributions and Dividends

In July 2016, our Board of Directors declared the following monthly distributions to common stockholders and dividends to holders of our Series A Term Preferred Stock, Series B Term Preferred Stock, and Series C Term Preferred Stock:

Record Date	Payment Date	Distribution per Common Share	Dividend per Series A Term Preferred Share	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share
July 22, 2016	August 2, 2016	$ 0.0625	$ 0.1484375	$ 0.140625	$ 0.135417
August 22, 2016	August 31, 2016	0.0625	0.1484375	0.140625	0.135417
September 21, 2016	September 30, 2016	0.0625	0.1484375	0.140625	0.135417
Total for the Quarter:		**$ 0.1875**	**$ 0.4453125**	**$ 0.421875**	**$ 0.406251**

Table of Contents

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2016 to the Three Months Ended June 30, 2015

	For the Three Months Ended June 30,			
	2016	**2015**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 11,628**	$ 11,385	$ 243	2.1%
Other income	**2,765**	1,321	1,444	109.3
Total investment income	**14,393**	12,706	1,687	13.3
EXPENSES				
Base management fee	**2,509**	2,453	56	2.3
Loan servicing fee	**1,681**	1,559	122	7.8
Incentive fee	**1,700**	1,291	409	31.7
Administration fee	**299**	355	(56)	(15.8)
Interest and dividend expense	**3,036**	2,831	205	7.2
Amortization of deferred financing costs and discounts	**481**	460	21	4.6
Other	**393**	998	(605)	(60.6)
Expenses before credits from Adviser	**10,099**	9,947	152	1.5
Credits to fees from Adviser	**(2,518)**	(2,404)	(114)	4.7
Total expenses, net of credits to fees	**7,581**	7,543	38	0.5
NET INVESTMENT INCOME	**6,812**	5,163	1,649	31.9
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain on investments	**18,635**	199	18,436	NM
Net realized loss on other	**(75)**		(75)	NM
Net unrealized (depreciation) appreciation of investments	**(913)**	3,197	(4,110)	NM
Net unrealized appreciation of other	**75**		75	NM
Net realized and unrealized gain	**17,722**	3,396	14,326	421.8
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 24,534**	$ 8,559	$ 15,975	186.6%
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.23**	$ 0.17	$ 0.05	29.4%
Net increase in net assets resulting from operations	**$ 0.81**	$ 0.28	$ 0.53	189.3%

NM = Not Meaningful

Investment Income

Total investment income increased by 13.3% for the three months ended June 30, 2016, as compared to the prior year period. This increase was primarily due to an increase in other income as well as an increase in interest income, which resulted from an increase in the size of our interest-bearing portfolio for the three months ended June 30, 2016 as compared to the prior year period.

Interest income from our investments in debt securities increased 2.1% for the three months ended June 30, 2016, as compared to the prior year period. The level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2016 was $367.2 million, compared to $362.6 million for the prior year period. This increase was primarily due to $60.7 million in new debt investments originated after June 30, 2015, partially offset by the pay-off of $48.1 million of debt investments principally related to the exit of portfolio companies.

At June 30, 2016 and 2015, our loans to one portfolio company, Tread Corporation (Tread), were on non-accrual status, with an aggregate debt cost basis of $3.2 million and $11.3 million, respectively. The weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 12.7% and 12.6% for the three months ended June 30, 2016 and 2015, respectively. The weighted average yield may vary from period to period, based on the current stated interest rate on interest-bearing investments.

Other income for the three months ended June 30, 2016 increased 109.3% from the prior year period. During the three months ended June 30, 2016, other income primarily consisted of $2.8 million of dividend income. For the three months ended June 30, 2015, other income primarily consisted of $0.4 million of dividend income and $0.9 million of success fee income.

The following table lists the investment income for our five largest portfolio company investments based on fair value during the respective periods:

	As of June 30, 2016		Three months ended June 30, 2016	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Counsel Press, Inc.	$ 30,198	6.2%	$ 777	5.4%
Cambridge Sound Management, Inc.	26,806	5.5	493	3.4
The Mountain Corporation [(A)]	25,500	5.2	370	2.6
SOG Specialty Knives & Tools, LLC	22,731	4.6	662	4.6
Nth Degree, Inc.	22,405	4.6	420	2.9
Subtotal five largest investments	**127,640**	**26.1**	**2,722**	**18.9**
Other portfolio companies	363,341	73.9	11,671	81.1
Total investment portfolio	**$ 490,981**	**100.0%**	**$ 14,393**	**100.0%**

	As of June 30, 2015		Three months ended June 30, 2015	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Funko, LLC [(B)]	$ 31,221	6.5%	$ 442	3.5%
SOG Specialty Knives & Tools, LLC	29,766	6.2	662	5.2
Counsel Press, Inc.	29,463	6.1	791	6.2

Cambridge Sound Management, Inc.	26,180	5.4	493	3.9
Acme Cryogenics, Inc. (B)	25,569	5.3	422	3.3
Subtotal five largest investments	**142,199**	**29.5**	**2,810**	**22.1**
Other portfolio companies	339,044	70.5	9,896	77.9
Total investment portfolio	**$ 481,243**	**100.0%**	**$ 12,706**	**100.0%**

(A) New investment during the applicable period.
(B) We exited the investment subsequent to June 30, 2015.

Table of Contents

Expenses

Total expenses, net of any voluntary, unconditional, and irrevocable credits from the Adviser, were relatively flat during the three months ended June 30, 2016, as compared to the prior year period, as the increase in interest and dividend expense and the incentive fee was offset by a decrease in other expenses.

The incentive fee increased for the three months ended June 30, 2016, as compared to the prior year period, as net investment income increased over the respective periods.

The base management fee, loan servicing fee, incentive fee, and their related voluntary, unconditional, and irrevocable credits are computed quarterly, as described under *Transactions with the Adviser* in Note 4 *Related Party Transactions* of the notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015
Average total assets subject to base management fee (A)	**$ 501,800**	$ 490,600
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee (B)	**2,509**	2,453
Credits to fees from Adviser other (B)	**(837)**	(845)
Net base management fee	**$ 1,672**	$ 1,608
Loan servicing fee (B)	**$ 1,681**	$ 1,559
Credits to base management fee loan servicing fee (B)	**(1,681)**	(1,559)
Net loan servicing fee	**$**	$
Incentive fee (B)	**$ 1,700**	$ 1,291
Credits to fees from Adviser other (B)		
Net incentive fee	**$ 1,700**	$ 1,291

(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 as a line item on our accompanying *Consolidated Statement of Operations*.

Interest and dividend expense increased 7.2% for the three months ended June 30, 2016, as compared to the prior year period**,** primarily due to dividends paid related to our Series C Term Preferred Stock issued in May 2015, partially offset by lower costs of borrowings on our Credit Facility, as the increase in the effective interest rate was more than offset by the decrease in average borrowings outstanding. The weighted average balance outstanding on our Credit

Facility during the three months ended June 30, 2016, was $79.9 million, as compared to $103.1 million in the prior year period. The effective interest rate on our Credit Facility, excluding the impact of deferred financing costs, during the three months ended June 30, 2016 was 4.4% as compared to 3.9% in the prior year period. Dividends on mandatorily redeemable preferred stock increased $0.3 million from the prior year period, when the Series C Term Preferred Stock was newly issued and only outstanding for a portion of the period.

Other expenses decreased 60.6% for the three months ended June 30, 2016, as compared to the prior year period, primarily as a result of lower professional fees, including legal and diligence fees, as well as lower bad debt expense.

Table of Contents

Realized and Unrealized Gain (Loss)

Net Realized Gain on Investments

During the three months ended June 30, 2016, we recorded net realized gains on investments of $18.6 million, primarily related to the $18.8 million realized gain from the exit of Acme, compared to net realized gains of $0.2 million during the prior year period related to exit of Roanoke Industries Corp.

Net Realized Loss on Other

During the three months ended June 30, 2016, we recorded a net realized loss on other of $75 due to the expiration of our interest rate cap agreement.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended June 30, 2016, we recorded net unrealized depreciation of investments of $0.9 million. The realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2016, were as follows:

	Three Months Ended June 30, 2016			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Galaxy Tool Holding Corporation	$	$ 7,819	$	$ 7,819
Head Country, Inc.		5,082		5,082
Jackrabbit, Inc.		2,891		2,891
Brunswick Bowling Products, Inc.		2,279		2,279
Logo Sportswear, Inc.		1,909		1,909
Country Club Enterprises, LLC		1,406		1,406
Nth Degree, Inc.		1,403		1,403
Mitchell Rubber Products, Inc.		1,326		1,326
Counsel Press, Inc.		1,299		1,299
Behrens Manufacturing, LLC		1,297		1,297
Drew Foam Company, Inc.		1,239		1,239
B-Dry, LLC		1,186		1,186
Schylling, Inc.		1,169		1,169
Frontier Packaging, Inc.		1,119		1,119
Ginsey Home Solutions, Inc.		1,002		1,002
GI Plastek, Inc.		247		247
Channel Technologies Group, LLC		(257)		(257)
Meridian Rack & Pinion, Inc.		(530)		(530)
B+T Group Acquisition, Inc.		(770)		(770)
Cambridge Sound Management, Inc.		(1,028)		(1,028)
D.P.M.S., Inc.		(1,154)		(1,154)
Old World Christmas, Inc.		(1,610)		(1,610)

Tread Corporation		(1,708)		(1,708)
Precision Southeast, Inc.		(2,240)		(2,240)
Acme Cryogenics, Inc.	18,806		(21,216)	(2,410)
SOG Specialty Knives & Tools, LLC		(3,416)		(3,416)
Other, net (<$250 Net)	(171)	343		172
Total	**$ 18,635**	**$ 20,303**	**$ (21,216)**	**$ 17,722**

The primary driver of net unrealized depreciation of $0.9 million for the three months ended June 30, 2016, was the reversal of $21.2 million of previously recorded unrealized appreciation on our investment in Acme upon exit. This decrease was partially offset by unrealized appreciation resulting from an increase in performance of several of our portfolio companies.

Table of Contents

During the three months ended June 30, 2015, we recorded net unrealized appreciation on investments of $3.2 million. The realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2015, were as follows:

	Three Months Ended June 30, 2015			
Portfolio Company	**Realized Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Funko, LLC	$	$ 6,213	$	$ 6,213
Cambridge Sound Management, Inc.		3,982		3,982
Frontier Packaging, Inc		3,484		3,484
Acme Cryogenics, Inc.		2,550		2,550
D.P.M.S., Inc.		2,470		2,470
Mathey Investments, Inc.		1,703		1,703
Precision Southeast, Inc.		1,668		1,668
Tread Corporation		1,520		1,520
Logo Sportswear, Inc.		1,204		1,204
SBS Industries, LLC		829		829
Behrens Manufacturing, LLC		672		672
Roanoke Industries Corp.	215		(110)	105
Head Country, Inc.		(155)		(155)
Quench Holdings Corp.		(197)		(197)
Drew Foam Company, Inc.		(323)		(323)
Ginsey Home Solutions, Inc.		(968)		(968)
Meridian Rack & Pinion, Inc.		(1,239)		(1,239)
Alloy Die Casting Co.		(1,360)		(1,360)
Counsel Press, Inc.		(1,432)		(1,432)
Country Club Enterprises, LLC		(1,437)		(1,437)
SOG Specialty Knives & Tools, LLC		(2,085)		(2,085)
Edge Adhesives Holdings, Inc.		(2,114)		(2,114)
Jackrabbit, Inc.		(2,776)		(2,776)
Old World Christmas, Inc.		(4,205)		(4,205)
B+T Group Acquisition, Inc.		(4,541)		(4,541)
Other, net (<$250 Net)	(16)	(156)		(172)
Total	**$ 199**	**$ 3,307**	**$ (110)**	**$ 3,396**

The primary driver of net unrealized appreciation of $3.2 million for the three months ended June 30, 2015, was an improvement in the performance of certain portfolio companies and an increase in comparable multiples used to estimate the fair value of our investments, which more than offset the decreased performance of several of our portfolio companies.

Across our entire investment portfolio, we recorded $0.3 million of net unrealized depreciation on our debt positions and $0.6 million of net unrealized depreciation on our equity holdings for the three months ended June 30, 2016. At

June 30, 2016, the fair value of our investment portfolio was less than our cost basis by $31.4 million, as compared to $30.5 million at March 31, 2016, representing net unrealized depreciation of $0.9 million for the three months ended June 30, 2016. Our entire portfolio had a fair value of 94.0% of cost as of June 30, 2016.

Table of Contents

Net Unrealized Appreciation on Other

During the three months ended June 30, 2016, we recorded net unrealized appreciation on other of $75 due to the reversal of previously recorded depreciation upon the expiration of our interest rate cap agreement. There was no net unrealized appreciation or depreciation on other for the three months ended June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities for the three months ended June 30, 2016, was $21.9 million, as compared to net cash used in operating activities of $6.1 million for the three months ended June 30, 2015. This change was primarily due to increased investment repayments and net proceeds from sales of investments, which more than offset the increase in cash paid for the purchase of investments period over period. Purchases of investments were $29.0 million during the three months ended June 30, 2016 compared to $17.3 million during the three months ended June 30, 2015. Repayments and proceeds from the sale of investments totaled $42.9 million during the three months ended June 30, 2016 compared to $5.5 million during the three months ended June 30, 2015.

As of June 30, 2016, we had equity investments in or loans to 36 portfolio companies with an aggregate cost basis of $522.4 million. As of June 30, 2015, we had equity investments in or loans to 34 portfolio companies with an aggregate cost basis of $517.3 million. The following table summarizes our total portfolio investment activity during the three months ended June 30, 2016 and 2015:

	Three Months Ended June 30,	
	2016	**2015**
Beginning investment portfolio, at fair value	**$ 487,656**	$ 466,053
New investments	**25,500**	16,251
Disbursements to existing portfolio companies	**3,476**	1,075
Scheduled principal repayments		(1,650)
Unscheduled principal repayments	**(15,411)**	(3,583)
Net proceeds from sales of investments	**(27,531)**	(315)
Net realized gain on investments	**18,204**	215
Net unrealized appreciation of investments	**20,303**	3,307
Reversal of net unrealized appreciation of investments	**(21,216)**	(110)
Ending investment portfolio, at fair value	**$ 490,981**	$ 481,243

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

		Amount
For the remaining nine months ending March 31:	2017	$ 22,160
For the fiscal years ending March 31:	2018	76,326

2019	81,681
2020	101,108
2021	75,515
Thereafter	18,600
Total contractual repayments	**$ 375,390**
Investments in equity securities	146,973
Total cost basis of investments held as of June 30, 2016:	**$ 522,363**

S-35

Financing Activities

Net cash used in financing activities for the three months ended June 30, 2016, was $21.2 million, which consisted primarily of $15.4 million of net repayments on our Credit Facility and $5.7 million in distributions to common stockholders. Net cash provided by financing activities for the three months ended June 30, 2015, was $7.3 million, which consisted primarily of $38.5 million of proceeds from the issuance of our Series C Term Preferred Stock in May 2015, net of total deferred financing and offering costs, and $3.4 million of net proceeds from the issuance of common shares in April 2015, partially offset by $29.1 million of net repayments on our Credit Facility and $5.7 million in distributions to common stockholders.

Distributions and Dividends to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90% of our ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (Investment Company Taxable Income). Additionally, our Credit Facility generally restricts the amount of distributions to stockholders that we can pay out to be no greater than the sum of certain amounts, including, but not limited to, our net investment income, plus net capital gains, plus amounts elected by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. In accordance with these requirements, our Board of Directors declared and we paid monthly cash distributions of $0.0625 per common share for each of the three months, April, May, and June 2016. Our Board of Directors declared these distributions based on estimates of Investment Company Taxable Income for the fiscal year ending March 31, 2017.

For federal income tax purposes, we determine the tax characterization of our common distributions as of the end of our fiscal year based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. The characterization of the common stockholder distributions declared and paid for the year ending March 31, 2017 will be determined after the 2017 fiscal year end based upon our taxable income for the full year and distributions paid during the full year. Such a characterization made on a quarterly basis may not be representative of the actual full year characterization.

For the year ended March 31, 2016, distributions to common stockholders totaled $22.7 million and were less than our taxable income for the same year, when also considering prior spillover amounts under Section 855(a) of the Code. At March 31, 2016, we elected to treat $6.9 million of the first distributions paid after fiscal year-end as having been paid in the prior fiscal year, in accordance with Section 855(a) of the Code. In addition, we recorded a $1.7 million adjustment for estimated permanent book-tax differences, which decreased Capital in excess of par value and Accumulated net realized loss and increased Net investment income in excess of distributions as of March 31, 2016. As of June 30, 2016, we recorded a $0.1 million adjustment for estimated permanent book-tax differences, which decreased Capital in excess of par value, and increased Accumulated net realized gain (loss) and Net investment income in excess of distributions.

Preferred Stock Dividends

Our Board of Directors declared and we paid monthly cash dividends of $0.1484375 per share to holders of our Series A Term Preferred Stock, $0.140625 per share to holders of our Series B Term Preferred Stock, and $0.135417 per share to holders of our Series C Term Preferred Stock for each of the three months, April, May, and June 2016. 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.

Table of Contents

Dividend Reinvestment Plan

Our common stockholders who hold their shares through our transfer agent, Computershare, have the option to participate in a dividend reinvestment plan offered by Computershare. This is an opt in dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares of our common stock. Common stockholders who do not so elect will receive their distributions in cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. The common stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the date on which the shares are credited to the common stockholder s account. Our plan agent purchases shares in the open market in connection with the obligations under the plan. The Computershare dividend reinvestment plan is not open to our preferred stock stockholders.

Equity

Registration Statement

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common or preferred stock, including through concurrent, separate offerings of such securities. No securities have been issued to date under the registration statement.

Common Stock

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. When our common stock is trading at a price below NAV per share, as it has predominantly since September 30, 2008, the 1940 Act places regulatory constraints on our ability to obtain additional capital by issuing common stock. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our NAV per common share, other than to our then existing common stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors, and meeting other stated requirements. On September 16, 2016, the closing market price of our common stock was $8.77 per share, representing a 10.9% discount to our NAV of $9.84 per share as of June 30, 2016. To the extent that our common stock continues to trade at a market price below our NAV per common share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder approval or through a rights offering to existing common stockholders. At our 2015 Annual Meeting of Stockholders held on August 6, 2015, our stockholders approved a proposal authorizing us to issue and sell shares of our common stock at a price below our then current NAV per common share for a period of one year from the date of such approval, provided that our Board of Directors makes certain determinations prior to any such sale. At our 2016 Annual Meeting of Stockholders, which took place on August 4, 2016, we again asked our stockholders to vote in favor of a similar proposal for the fiscal year ending March 31, 2017, which was approved on such date.

Term Preferred Stock

Pursuant to our prior registration statement on Form N-2 (File No. 333-160720), in March 2012, we completed an offering of 1,600,000 shares of our Series A Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $40.0 million, and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $38.0 million, a portion of which was used to repay borrowings under our Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. We incurred $2.0 million in total offering costs related to the offering, 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 ending February 28, 2017, the mandatory redemption date.

Our Series A Term Preferred Stock provides for a fixed dividend equal to 7.125% per year, payable monthly (which equates to $2.9 million per year). We are required to redeem all of the outstanding Series A Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to $25.00 per share plus an amount equal to accumulated but unpaid dividends, if any, up to the date of redemption. Our Series A Term Preferred Stock is not convertible into our common stock or any other security. In addition, three other potential redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series A Term Preferred Stock; (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of the outstanding Series A Term Preferred Stock or otherwise cure the ratio redemption trigger and (3) at our sole option, at any time on or after February 28, 2016, we may redeem some or all of our Series A Term Preferred Stock.

Pursuant to our prior registration statement on Form N-2 (Registration No. 333-181879), in November 2014, we completed a public offering of 1,656,000 shares of our Series B Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $41.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $39.7 million. We incurred $1.7 million in total offering costs related to this offering, 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 ending December 31, 2021, the mandatory redemption date.

Our Series B Term Preferred Stock is not convertible into our common stock or any other security. Our Series B Term Preferred Stock provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates to $2.8 million per year). We are required to redeem all shares of our outstanding Series B Term Preferred Stock on December 31, 2021, for cash at a redemption price equal to $25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series B Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series B Term Preferred Stock or otherwise cure the ratio redemption trigger. We may also voluntarily redeem all or a portion of our Series B Term Preferred Stock at our sole option at the redemption price in order to have an asset coverage ratio of up to and including 215.0% and at any time on or after December 31, 2017.

Also, pursuant to our prior registration statement on Form N-2 (Registration No. 333-181879), in May 2015, we completed a public offering of 1,610,000 shares of our Series C Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $40.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $38.6 million. We incurred $1.6 million in total offering costs related to this offering, 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 ending May 31, 2022, the mandatory redemption date.

Our Series C Term Preferred Stock is not convertible into our common stock or any other security. Our Series C Term Preferred Stock provides for a fixed dividend equal to 6.50% per year, payable monthly (which equates to $2.6 million per year). We are required to redeem all shares of our outstanding Series C Term Preferred Stock on May 31, 2022, for cash at a redemption price equal to $25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series C Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series C Term Preferred Stock or otherwise cure the ratio redemption trigger. We may also voluntarily redeem all or a portion of our Series C Term Preferred Stock at our sole option at the redemption price in order to have an asset coverage ratio of up to and including 215.0% and at any time on or after May 31, 2018.

Each series of our mandatorily redeemable preferred stock has a preference over our common stock with respect to dividends, whereby no distributions are payable on our common stock unless the stated dividends, including any accrued and unpaid dividends, on the mandatorily redeemable preferred stock have been paid in full. The Series A, B, and C Term Preferred Stock are considered liabilities in accordance with GAAP and, as such, affect our asset coverage, exposing us to additional leverage risks. The asset coverage on our senior securities that are stock (our Series A, B, and C Term Preferred Stock) as of June 30, 2016 was 239.7%, calculated pursuant to Sections 18 and 61 of the 1940 Act.

Revolving Credit Facility

On June 26, 2014, we, through our wholly-owned subsidiary, Business Investment, entered into Amendment No. 1 to our Fifth Amended and Restated Credit Agreement originally entered into on April 30, 2013 with KeyBank National Association (KeyBank), administrative agent, lead arranger and a lender; other lenders; and the Adviser, as servicer, to extend the revolving period and reduce the interest rate of our revolving line of credit. The revolving period was extended to June 26, 2017, and if not renewed or extended by June 26, 2017, all principal and interest will be due and payable on or before June 26, 2019. Subject to certain terms and conditions, our Credit Facility can be expanded by up to $145.0 million, to a total facility amount of $250.0 million, through additional commitments of existing or new committed lenders. Advances under our Credit Facility generally bear interest at 30-day LIBOR, plus 3.25% per annum, and our Credit Facility includes an unused fee of 0.50% on undrawn amounts. Once the revolving period ends, the interest rate margin increases to 3.75% for the period from June 26, 2017 to June 26, 2018, and further increases to 4.25% through maturity. We incurred fees of $0.4 million in connection with this amendment.

On September 19, 2014, we further increased our borrowing capacity under our Credit Facility from $105.0 million to $185.0 million by entering into Joinder Agreements pursuant to our Credit Facility, by and among Business Investment, KeyBank, the Adviser and other lenders. We incurred fees of $1.3 million in connection with this expansion.

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 Investment, 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. KeyBank is also the trustee of the account and generally remits the collected funds to us once a month.

Among other things, our Credit Facility contains covenants that require Business Investment to maintain its status as a separate legal entity; prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies without lenders consent. The Credit Facility generally also limits distributions to be no greater than the sum of certain amounts, including, but not limited to, our net investment income, plus net capital gains, plus amounts elected by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. Business Investment is also subject to certain limitations on the type of loan investments it can make, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage, and lien property. Our Credit Facility

Table of Contents

also requires Business Investment to comply with other financial and operational covenants, which obligate it to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of obligors required in the borrowing base of the credit agreement. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth of $170.0 million plus 50.0% of all equity and subordinated debt raised minus any equity or subordinated debt redeemed or retired after June 26, 2014, which equates to $224.9 million as of June 30, 2016, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of June 30, 2016, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $415.6 million, an asset coverage ratio with respect to senior securities representing indebtedness of 574.4%, calculated in compliance with the requirements of Sections 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. Our Credit Facility requires a minimum of 12 obligors in the borrowing base and, as of June 30, 2016, we had 29 obligors in the borrowing base. As of June 30, 2016, we were in compliance with all covenants under our Credit Facility.

Pursuant to the terms of our Credit Facility, in July 2013, we entered into an interest rate cap agreement, effective October 2013, for a notional amount of $45.0 million. The interest rate cap agreement, which expired in April 2016, effectively limited the interest rate on a portion of the borrowings pursuant to the terms of our Credit Facility. We incurrent a premium of $75 in conjunction with this agreement, which was recorded within Net realized loss on other in our accompanying *Consolidated Statements of Operations* for the three months ended June 30, 2016 upon the expiration of the agreement.

OFF-BALANCE SHEET ARRANGEMENTS

Unlike PIK income, we generally recognize success fees as income when the payment has been received. As a result, as of June 30, 2016, we had off-balance sheet success fee receivables of $29.9 million (or $0.99 per common share) on our accruing debt investments that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized 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 any or all of these success fees or know the timing of such collections.

CONTRACTUAL OBLIGATIONS

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

In addition to the lines of credit and other uncalled capital commitments to our portfolio companies, we have also extended certain guaranties on behalf of one of our portfolio companies, whereby we have guaranteed an aggregate of $2.2 million of obligations of Country Club Enterprises, LLC (CCE). As of June 30, 2016, we have not been required to make any payments on any of the guaranties, and we consider the credit risks to be remote and the fair value of the guaranties to be immaterial.

Table of Contents

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

		Payments Due by Period			
Contractual Obligations [A]	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Credit Facility [B]	$ 79,600	$	$ 79,600	$	$
Mandatorily redeemable preferred stock	121,650	40,000			81,650
Secured borrowing	5,096			5,096	
Interest payments on obligations [C]	45,430	11,306	18,726	11,535	3,863
Total	**$ 251,776**	**$ 51,306**	**$ 98,326**	**$ 16,631**	**$ 85,513**

(A) Excludes unused line of credit commitments, uncalled capital commitments and guaranties to our portfolio companies in the aggregate principal amount of $9.1 million.

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

(C) Includes interest payments due on our Credit Facility, secured borrowing, and dividend obligations on each series of our mandatorily redeemable term preferred stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of June 30, 2016. Dividend payments on our mandatorily redeemable term preferred stock assume quarterly declarations and monthly dividend payments through the date of mandatory redemption of each series.

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 the 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 our *Consolidated Financial Statements* included elsewhere in this prospectus supplement. Additionally, refer to Note 3 *Investments* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements and our application of Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). 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 our *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 compara