As filed with the Securities and Exchange Commission on December 18, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

1933 Act File No. 333-

Form N-2
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

☐ **PRE-EFFECTIVE AMENDMENT NO.**

☐ **POST-EFFECTIVE AMENDMENT NO.**

GLADSTONE CAPITAL CORPORATION

(Exact name of registrant as specified in charter)

1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VA 22102
(Address of principal executive offices)

Registrant's telephone number, including area code: (703) 287-5800

DAVID GLADSTONE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
GLADSTONE CAPITAL CORPORATION
1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VIRGINIA 22102
(Name and address of agent for service)

COPIES TO:

Lori B. Morgan
Bass, Berry & Sims PLC
150 Third Avenue South
Suite 2800
Nashville, TN 37201
(615) 742-6280
(615) 742-6293 (Facsimile)

Approximate date of proposed public offering: From time to time after the effective date of this registration statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☒

It is proposed that this filing will become effective (check appropriate box):

☐ When declared effective pursuant to Section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common Stock, $0.001 par value per share(2) Preferred Stock, $0.001 par value per share(2) Subscription Rights(2) Warrants(2) Debt Securities(2)		
Total	$300,000,000(3)	$30,210(3)

(1) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933, as amended (the "Securities Act") which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.

(2) Subject to Note 3 below, there is being registered hereunder an indeterminate amount of common stock, preferred stock, subscription rights, warrants or debt securities as may be sold, from time to time. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed $300,000,000. If any warrants are issued, they will represent rights to purchase common stock, preferred stock or debt securities.

(3) In no event will the aggregate offering price of all securities issued from time to time pursuant to this Registration Statement exceed $300,000,000. Pursuant to Rule 415(a)(6) under the Securities Act of 1933, as amended, this registration statement includes $218,165,901.86 million of unsold securities of the Registrant that have been previously registered on the Registration Statement on Form N-2 (File No. 333-185191) initially filed by the registrant on November 29, 2012 and most recently declared effective on January 30, 2015 (the "2012 Registration Statement"). A filing fee of $19,146, was paid in connection with such unsold securities and is being offset against the total registration fee pursuant to Rule 457(p), resulting in a payment of $11,064 in connection with the filing of this Registration Statement. Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the prior registration statement will be deemed terminated as of the effective date of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

[Table of Contents](#)

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 18, 2015

PRELIMINARY PROSPECTUS

GLADSTONE CAPITAL

$300,000,000

COMMON STOCK
PREFERRED STOCK
SUBSCRIPTION RIGHTS
WARRANTS
DEBT SECURITIES

We may offer, from time to time, up to $300,000,000 aggregate initial offering price of our common stock, $0.001 par value per share, preferred stock, $0.001 par value per share, subscription rights, warrants representing rights to purchase shares of our common or preferred stock, or debt securities, or concurrent, separate offerings of these securities, which we refer to in this prospectus collectively as our Securities, in one or more offerings. The Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. In the case of our common stock and warrants or rights to acquire such common stock hereunder, the offering price per share of our common stock by us, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing common stockholders, (ii) with the consent of the holders of the majority of our outstanding stock, or (iii) under such other circumstances as the U.S. Securities and Exchange Commission ("SEC") may permit. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company under the Investment Company Act of 1940, as amended. For federal income tax purposes, we have elected to be treated as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, to or through underwriters or dealers, "at the market" to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "*Plan of Distribution.*" We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market ("NASDAQ") under the symbol "GLAD." As of December 17, 2015, the last reported sales price for our common stock was $7.24. Our 6.75% Series 2021 Term Preferred Stock, or our Series 2021 Term Preferred Stock, is also traded on the NASDAQ under the symbol "GLADO." As of December 17, 2015, the last reported sales price for our Series 2021 Term Preferred Stock was $23.93.

Please read this prospectus and the accompanying prospectus supplement, if any, before investing, and keep it for future reference. It concisely sets forth important information about us that a prospective investor ought to know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, or by calling us collect at (703) 287-5800 or on our website at *www.gladstonecapital.com* . Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. The Securities and Exchange Commission also maintains a website at *www.sec.gov* that contains such information. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

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

An investment in our Securities involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors," which begins on page 13. Common shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss to purchasers of our Securities. You should carefully consider these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our Securities.

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

The date of this prospectus is

Table of Contents

TABLE OF CONTENTS

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus or any accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or the accompanying prospectus supplement as if we had authorized it. This prospectus and any prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any prospectus supplement is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

This prospectus is part of a registration statement that we have filed with the SEC using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time, up to $300,000,000 of our Securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the Securities that we may offer. Each time we use this prospectus to offer Securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with the additional information described under *"Additional Information"* and *"Risk Factors"* before you make an investment decision.

PROSPECTUS SUMMARY

The following summary highlights some of the information in this prospectus. It is not complete and may not contain all the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including the section entitled "Risk Factors." Except where the context suggests otherwise, the terms "we," "us," "our," the "Company" and "Gladstone Capital" refer to Gladstone Capital Corporation; "Adviser" refers to Gladstone Management Corporation; "Administrator" refers to Gladstone Administration, LLC; "Gladstone Commercial" refers to Gladstone Commercial Corporation; "Gladstone Investment" refers to Gladstone Investment Corporation; "Gladstone Land" refers to Gladstone Land Corporation; "Gladstone Securities" refers to Gladstone Securities, LLC; and "Gladstone Companies" refers to the Adviser and its affiliated companies.

General

We were incorporated under the General Corporation Laws of the State of Maryland on May 30, 2001 and completed our initial public offering on August 24, 2001. We are externally managed and operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). For federal income tax purposes, we have elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). We intend to continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment by meeting certain requirements, including minimum distribution requirements. We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S.").

Gladstone Financial Corporation ("Gladstone Financial"), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial (previously known as Gladstone SSBIC Corporation) acquired this license in February 2007. The license enables us, through this subsidiary, to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of September 30, 2015, we have not made any investments in portfolio companies through Gladstone Financial.

Our Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S."). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of approximately 90.0% in debt investments and 10.0% in equity investments, at cost. As of September 30, 2015, our investment portfolio was made up of approximately 91.2% in debt investments and 8.8% in equity investments, at cost.

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

In July 2012, the Securities and Exchange Commission ("SEC") granted us an exemptive order that expands 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 believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

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

As of September 30, 2015, our investment portfolio consisted of investments in 48 companies located in 20 states in 20 different industries with an aggregate fair value of $365.9 million. Since our initial public offering in 2001 through September 30, 2015, we have invested in over 196 different companies, while making 153 consecutive monthly or quarterly cash distributions to common stockholders totaling approximately $258.3 million or $15.37 per share. We expect that our investment portfolio will primarily include the following four categories of investments in private U.S. companies:

- *Senior Secured Debt Securities:* We seek to invest a portion of our assets in senior secured debt securities also known as senior loans, secured first lien loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses senior debt to cover a substantial portion of the funding needs of its business. The senior secured debt security usually takes the form of first priority liens on all, or substantially all, of the assets of the business. Senior secured debt securities may include investments sourced from the syndicated loan market.
- *Senior Secured Subordinated Debt Securities:* We seek to invest a portion of our assets in secured second lien debt securities, also known as senior subordinated loans and senior subordinated notes. These secured second lien debts rank junior to the borrowers' senior debt and may be secured by a first priority lien on a portion of the assets of the business and may be designated as second lien notes (including our participation and investment in syndicated second lien loans). Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior secured subordinated debt securities.
- *Junior Subordinated Debt Securities:* We seek to invest a portion of our assets in junior subordinated debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These junior subordinated debts may be secured by certain assets of the borrower or unsecured loans. Additionally, we may receive other yield enhancements in addition to or in lieu of success fees, such as warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

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

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% 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 30.0% of our assets in other non-qualifying assets. See "*Regulation as a Business Development Company—Qualifying Assets* " for a discussion of the types of qualifying assets in which we are permitted to invest pursuant to Section 55(a) of the 1940 Act.

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

Our Investment Adviser and Administrator

Gladstone Management Corporation (the "Adviser") is our affiliate, investment adviser and a privately-held company led by a management team that has extensive experience in our lines of business. Another of our and the Adviser's affiliates, a privately-held company, Gladstone Administration, LLC (the "Administrator"), employs, among others, our chief financial officer and treasurer, chief accounting officer, chief compliance officer, chief valuation officer, general counsel and secretary (who also serves as our Administrator's president) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the following of our affiliates: Gladstone Commercial Corporation ("Gladstone Commercial"), a publicly traded real estate investment trust; Gladstone Investment Corporation ("Gladstone Investment"), a publicly traded BDC and RIC; Gladstone Land Corporation ("Gladstone Land"), a publicly traded real estate investment trust that invests in farmland and farm related property; the Adviser; and the Administrator. Our chief financial officer and treasurer is also the chief accounting officer of the Adviser and acting principal financial officer of Gladstone Investment through December 2015. Our president is also an executive managing director of the Adviser. David Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, LLC ("Gladstone Securities"), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and insured by the Securities Investor Protection Corporation.

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

We have been externally managed by the Adviser pursuant to an investment advisory and management agreement since October 1, 2004. The investment advisory and management agreement originally included administrative services; however, it was amended and restated on October 1, 2006 and at that time we entered into an administration agreement with the Administrator to provide such services. The investment advisory and management agreement was further amended in October 2015 to reduce the base management fee payable under

Table of Contents

the agreement from 2.0% per annum to 1.75% per annum, effective July 1, 2015, with all other terms remaining unchanged. The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Table of Contents

THE OFFERING

We may offer, from time to time, up to $300,000,000 of our Securities, on terms to be determined at the time of the offering. Our Securities may be offered at prices and on terms to be disclosed in one or more prospectus supplements. In the case of an offering of our common stock and warrants or rights to acquire such common stock hereunder in any offering, the offering price per share, exclusive of any underwriting commission or discount, will not be less than the net asset value ("NAV") per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the majority of our common stockholders, or (iii) under such other circumstances as the SEC may permit. If we were to sell shares of our common stock below our then current NAV per share, such sales would result in an immediate dilution to the NAV per share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our Securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "*Plan of Distribution.*" We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our Securities.

Set forth below is additional information regarding the offering of our Securities:

Common Stock Trading Symbol (NASDAQ)	GLAD
6.75% Series 2021 Term Preferred Stock Trading Symbol (NASDAQ)	GLADO
Use of Proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our Securities first to pay down existing short-term debt, then to make investments in small and mid-sized companies in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. See "*Use of Proceeds.*"
Dividends and Distributions	We have paid monthly distributions to the holders of our common stock since October 2003 (and prior to that quarterly distributions since January 2002) and generally intend to continue to do so. In May 2014 we issued, and in June 2014 we made our first distribution on our Series 2021 Term Preferred Stock and have made monthly distributions thereafter. The amount of monthly distributions on our capital stock is generally determined by our Board of Directors on a quarterly basis and is based on management's estimate of the fiscal year's taxable income. See "*Price Range of Common Stock and Distributions*." Because our distributions to common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may

	also include, and past distributions have included, a return of capital. Such return of capital distributions may increase an investor's tax liability for capital gains upon the sale of our shares by reducing the investor's tax basis for such shares. See "*Risk Factors—Risks Related to an Investment in Our Securities —Distributions to our stockholders have included and may in the future include a return of capital.*" Certain additional amounts may be deemed as distributed to common stockholders for income tax purposes and may also constitute a return of capital. Other types of securities we might offer will likely pay distributions in accordance with their terms.
Taxation	We intend to continue to elect to be treated for federal income tax purposes as a RIC. So long as we continue to qualify, we generally will pay no corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute, for each of our taxable years, at least 90.0% of our taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See "*Material U.S. Federal Income Tax Considerations.*"
Trading at a Discount	Common shares of closed-end investment companies frequently trade at a discount to their NAV. The possibility that our common shares may trade at a discount to our NAV is separate and distinct from the risk that our NAV per common share may decline. We cannot predict whether our common shares will trade above, at or below NAV, although during the past three years, our common stock has often traded, and at times significantly, below NAV.
Certain Anti-Takeover Provisions	Our Board of Directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A classified board of directors also may serve to deter hostile takeovers or proxy contests, as may certain provisions of Maryland law and other measures we have adopted. See "*Certain Provisions of Maryland Law and of Our Articles of Incorporation and Bylaws.*"
Dividend Reinvestment Plan	Our transfer agent, Computershare, Inc., offers a dividend reinvestment plan for our common stockholders. This is an "opt in" dividend reinvestment plan, meaning that stockholders may elect to have their cash dividends automatically reinvested in additional shares of our common stock. Stockholders who do not so elect will receive their dividends in cash. 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. See "*Dividend Reinvestment Plan.*" There is no dividend reinvestment plan for our Series 2021 Term Preferred Stock.

Management Arrangements	Gladstone Management Corporation serves as the investment adviser, and Gladstone Administration, LLC serves as the Administrator. For a description of the Adviser, the Administrator, the Gladstone Companies and the contractual arrangements with these companies, see "*Management—Certain Transactions*."

Table of Contents

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "us" or "Gladstone Capital," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Capital. The following annualized percentages were calculated based on actual expenses incurred in the quarter ended September 30, 2015 and average net assets for the quarter ended September 30, 2015.

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)(1)	— %
Offering expenses (as a percentage of offering price)(1)	— %
Dividend reinvestment plan expenses(2)	None
Total stockholder transaction expenses(1)	— %
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Base Management fee(4)	3.33%
Loan servicing fee(5)	2.07%
Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	2.48%
Interest payments on borrowed funds(7)	2.50%
Dividend expense on mandatorily redeemable preferred stock(8)	2.34%
Other expenses(9)	0.18%
Total annual expenses(9)	14.03%

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by Gladstone Capital and its stockholders. The prospectus supplement relating to an offering of securities pursuant to this prospectus will disclose the estimated offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Capital and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the reinvestment plan are included in stock record expenses, a component of "other expenses." The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See "*Dividend Reinvestment Plan*" for information on the dividend reinvestment plan.

(3) The numbers presented in this table are gross of credits to any fees.

(4) In accordance with our Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital's management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to 3.33% of the average net assets as of September 30, 2015 by dividing the total dollar amount of the management fee by Gladstone Capital's average net assets.

Under the Advisory Agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. Generally, at the end of each quarter, 100.0% of these fees are voluntarily, irrevocably and unconditionally credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended September 30, 2015, $0.5 million, or 11.0% of total net expenses, of these fees were voluntarily credited against the base management fee. See *"Management—Certain Transactions."*

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC ("Business Loan"), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our fifth amended and restated credit agreement for our revolving line of credit ("the Credit Facility"). For the three months ended September 30, 2015, the total loan servicing fee were $1.0 million. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. After all voluntary credits described in this footnote and footnote 4 above are applied to the base management fee, the total expenses after fee credits as a percentage of net assets would be 6.4% for the quarter ended September 30, 2015. See *"Management—Certain Transactions—Investment Advisory and Management Agreement"* and footnote 6 below.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets, subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through September 30, 2015.

From time to time, the Adviser has voluntarily, irrevocably and unconditionally agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. For the quarter ended September 30, 2015, the incentive fee credit was $0.6 million. There can be no guarantee that the Adviser will continue to credit any portion of the fees under the Advisory Agreement in the future.

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

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

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

  = 100% × (2.00% - 1.75%)

  = 0.25%

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

  = (100% × ("catch-up": 2.1875% - 1.75%)) + (20% × (2.30% - 2.1875%))

  = (100% × 0.4375%) + (20% × 0.1125%)

  = 0.4375% + 0.0225%

  = 0.46%

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

  = 20% × (6% - 1%)

  = 20% × 5%

  = 1%

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

(7) Includes amortization of deferred financing costs. As of September 30, 2015, we had $127.3 million in borrowings outstanding on our Credit Facility.
(8) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended September 30, 2015. See "*Description of our Securities—Term Preferred Stock"* for additional information.
(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See "*Management—Certain Transactions—Administration Agreement*."

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone Capital or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Capital and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ 147	$ 400	$ 607	$ 970
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 156	$ 420	$ 631	$ 992

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See "*Dividend Reinvestment Plan*" for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

Table of Contents

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the Securities offered by this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information set forth in the registration statement or exhibits and schedules thereto. For further information with respect to our business and our Securities, reference is made to the registration statement, including the amendments, exhibits and schedules thereto.

We also file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such reports, proxy statements and other information, as well as the registration statement and the amendments, exhibits and schedules thereto, can be inspected at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is *http://www.sec.gov*. Copies of such material may also be obtained from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Our common stock is listed on the NASDAQ and our corporate website is located at *www.gladstonecapital.com*. The information contained on, or accessible through, our website is not a part of this prospectus.

We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

We also furnish to our stockholders annual reports, which include annual financial information that has been examined and reported on, with an opinion expressed, by our independent registered public accounting firm. See "*Experts.*"

RISK FACTORS

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

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

Risks Related to the Economy

Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2007 and 2009, the global capital markets experienced an extended period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While the adverse effects of these conditions have abated to a degree, global financial markets experienced significant volatility following the downgrade by Standard & Poor’s on August 5, 2011 of the long-term credit rating of U.S. Treasury debt from AAA to AA+. These market conditions have historically and could again have a material adverse effect on debt and equity capital markets in the United States and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. In such circumstances, equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have, and subsequent approval of the specific issuance by our Board of Directors. In addition, our ability to incur additional indebtedness or issue additional preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness under our revolving line of credit or issue additional preferred stock. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets, including the extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

Rising interest rates may adversely affect the value of our portfolio investments which could have an adverse effect on our business, financial condition and results of operations.

Our debt investments may be based on floating rates. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, and senior and junior secured debt securities and loans, and also could increase our interest expense, thereby decreasing our net income. Also, an increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher distribution yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock and preferred stock to decrease.

A further downgrade of the U.S. credit rating and economic crisis in Europe could negatively impact our business, financial condition and earnings.

Although U.S. lawmakers passed legislation to raise the federal debt ceiling and Standard & Poor's Ratings Services affirmed its AA+ long-term sovereign credit rating on the United States and revised the outlook on the long-term rating from negative to stable in June of 2013, U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the United States. The impact of any further downgrades to the U.S. government's sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our quarterly and annual results based on the impact of inflation in the U.S.

The majority of our portfolio companies are in industries that are directly impacted by inflation, such as consumer goods and services and manufacturing. Our portfolio companies may not be able to pass on to customers increases in their costs of operations which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future unrealized losses and therefore reduce our net assets resulting from operations.

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

There has been increased competitive pressure in the BDC and investment company marketplace for senior and senior subordinated debt, resulting in lower yields for increasingly riskier investments. A large number of entities compete with us and make the types of investments that we seek to make in small and medium-sized companies. We compete with public and private buyout funds, commercial and investment banks, commercial financing companies, and, to the extent that they provide an alternative form of financing, hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which would allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The competitive pressures we face could have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective. We do not seek to compete based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms, and structure. However, if we match our competitors' pricing, terms, and structure, we may experience decreased net interest income and increased risk of credit loss.

Our investments in small and medium-sized portfolio companies are extremely risky and could cause you to lose all or a part of your investment.

Investments in small and medium-sized portfolio companies are subject to a number of significant risks including the following:

- *Small and medium-sized businesses are likely to have greater exposure to economic downturns than larger businesses.*Our portfolio companies may have fewer resources than larger businesses, and thus any economic downturns or recessions, are more likely to have a material adverse effect on them. If one of our portfolio companies is adversely impacted by a recession, its ability to repay our loan or engage in a liquidity event, such as a sale, recapitalization or initial public offering would be diminished.
- *Small and medium-sized businesses may have limited financial resources and may not be able to repay the loans we make to them.*Our strategy includes providing financing to portfolio companies that typically do not have readily available access to financing. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the portfolio companies to repay their loans to us upon maturity. A borrower's ability to repay its loan may be adversely affected by numerous factors, including the failure to meet its business plan, a downturn in its industry, or negative economic conditions. Deterioration in a borrower's financial condition and prospects usually will be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of us realizing on any guaranties we may have obtained from the borrower's management. As of September 30, 2015, two portfolio companies were either fully or partially on non-accrual status with an aggregate debt cost basis of approximately $26.8 million, or 7.1% of the cost basis of all debt investments in our portfolio. Subsequent to September 30, 2015, one of these portfolio companies was exited at a realized loss. While we are working with the portfolio companies to improve their profitability and cash flows, there can be no assurance that our efforts will prove successful. Although we will sometimes seek to be the senior, secured lender to a borrower, in most of our loans we expect to be subordinated to a senior lender, and our interest in any collateral would, accordingly, likely be subordinate to another lender's security interest.
- *Small and medium-sized businesses typically have narrower product lines and smaller market shares than large businesses.* Because our target portfolio companies are smaller businesses, they will tend to be more vulnerable to competitors' actions and market conditions, as well as general economic downturns. In addition, our portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities and a larger number of qualified managerial, and technical personnel.
- *There is generally little or no publicly available information about these businesses.* Because we seek to invest in privately owned businesses, there is generally little or no publicly available operating and financial information about our potential portfolio companies. As a result, we rely on our officers, the Adviser and its employees, Gladstone Securities and consultants to perform due diligence investigations of these portfolio companies, their operations, and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations.

- *Small and medium-sized businesses generally have less predictable operating results.* We expect that our portfolio companies may have significant variations in their operating results, may from time to time be exposed to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position, or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow, and other coverage tests typically imposed by their senior lenders. A borrower's failure to satisfy financial or operating covenants imposed by senior lenders could lead to defaults and, potentially, foreclosure on its senior credit facility, which could additionally trigger cross-defaults in other agreements. If this were to occur, it is possible that the borrower's ability to repay our loan would be jeopardized.
- *Small and medium-sized businesses are more likely to be dependent on one or two persons.* Typically, the success of a small or medium-sized business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability, or resignation of one or more of these persons could have a material adverse impact on our borrower and, in turn, on us.
- *Small and medium-sized businesses may have limited operating histories.* While we intend to target stable companies with proven track records, we may make loans to new companies that meet our other investment criteria. Portfolio companies with limited operating histories will be exposed to all of the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.
- *Debt securities of small and medium-sized private companies typically are not rated by a credit rating agency.* Typically a small or medium-sized private business 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 at rates 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 high risk as compared to investment-grade debt instruments.

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 net asset value ("NAV").

Our portfolio investments are, and we expect 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 may not be readily determinable. Our Board of Directors has ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments, based on the Policy. Our Board of Directors reviews valuation recommendations that are provided by the Valuation Team. In valuing our investment portfolio, several techniques are used, including, a total enterprise value approach, a yield analysis, market quotes, and independent third party assessments. Currently, Standard & Poor's Securities Evaluation, Inc. provides estimates of fair value on our proprietary debt investments and we use another independent valuation firm to provide valuation inputs for our significant equity investments, including earnings multiple ranges, as well as other information. In addition to these techniques, other factors are considered when determining fair value of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the current three month reporting period ended September 30, 2015 are generally valued at original cost basis. For additional information on our valuation policies, procedures and processes, refer to Note 2—*Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus.

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

Our NAV would be adversely affected if the fair value of our investments that are approved by our Board of Directors are higher than the values that we ultimately realize upon the disposal of such securities.

Our most recent NAV was calculated on September 30, 2015 and our NAV when calculated effective December 31, 2015 and thereafter may be higher or lower.

As of September 30, 2015, our NAV per share was $9.06, which was based on the fair value our investments that were reviewed and approved by the Valuation Committee and Board of Directors in connection with financial statements that were audited by our independent registered public accounting firm. NAV per share as of December 31, 2015 may be higher or lower than $9.06 based on potential changes in valuations, our issuance of 2.3 million shares of common stock in October and November 2015, or dividends paid and earnings for the quarter then ended. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis and if our December 31, 2015 fair value is less than the September 30, 2015 fair value, we will record an unrealized loss on our investment portfolio. If the fair value is greater, we will record an unrealized gain on our investment portfolio. Upon publication of our next quarterly NAV per share determination (generally in our next Quarterly Report on Form 10-Q), the market price of our common stock may fluctuate materially.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

A substantial portion of our portfolio investments are made in the form of securities that are not publicly traded. As a result, our Board of Directors determines the fair value of these securities in good faith pursuant the Policy. In connection with that determination, the Valuation Team prepares portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of the Adviser’s investment professionals in our valuation process, and the pecuniary interest in the Adviser by Mr. Gladstone, may result in a conflict of interest as the management fees that we pay the Adviser are based on our gross assets less cash.

The lack of liquidity of our privately held investments may adversely affect our business.

We will 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 quickly obtain cash equal to the value at which we record our investments if the need arises. This could cause us to miss important investment opportunities. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may record substantial realized losses upon liquidation. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, the Adviser, or our respective officers, employees or affiliates have material non-public information regarding such portfolio company.

Due to the uncertainty inherent in valuing these securities, the Adviser’s determinations of fair value may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the Adviser’s determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities.

When we are a debt or minority equity investor in a portfolio company, which we expect will generally be the case, we may not be in a position to control the entity, and its management may make decisions that could decrease the value of our investment.

We anticipate that most of our investments will continue to be either debt or minority equity investments in our portfolio companies. Therefore, we are and will remain subject to the risk that a portfolio company may make business decisions with which we disagree, and the shareholders and management of such company may take risks or otherwise act in ways that do not serve our best interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

In addition, we will generally not be in a position to control any portfolio company by investing in its debt securities. This is particularly true when we invest in syndicated loans, which are loans made by a larger group of investors whose investment objectives may not be completely aligned with ours. As of September 30, 2015, syndicated loans made up approximately 15.0% of our portfolio at cost, or $61.4 million. We therefore are subject to the risk that other lenders in these investments may make decisions that could decrease the value of our portfolio holdings.

We typically invest in transactions involving acquisitions, buyouts and recapitalizations of companies, which will subject us to the risks associated with change in control transactions.

Our strategy, in part, includes making debt and equity investments in companies in connection with acquisitions, buyouts and recapitalizations, which subjects us to the risks associated with change in control transactions. Change in control transactions often present a number of uncertainties. Companies undergoing change in control transactions often face challenges retaining key employees and maintaining relationships with customers and suppliers. While we hope to avoid many of these difficulties by participating in transactions where the management team is retained and by conducting thorough due diligence in advance of our decision to invest, if our portfolio companies experience one or more of these problems, we may not realize the value that we expect in connection with our investments, which would likely harm our operating results and financial condition.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest primarily in debt securities issued by our portfolio companies. In some cases portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company.

We may be unable to invest a significant portion of the net proceeds from an offering or from exiting an investment or other capital on acceptable terms, which could harm our financial condition and operating results.

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

In addition to risks associated with delays in investing our capital, we are also subject to the risk that investments we make in our portfolio companies may be repaid prior to maturity. For the year ended September 30, 2015, we received principal payments of a combined $40.3 million, of which only $2.5 million resulted from one portfolio company who paid off early at par. We will first use any proceeds from prepayments to repay any borrowings outstanding on our revolving line of credit. In the event that funds remain after repayment of our outstanding borrowings, then we will generally reinvest these proceeds in government securities, pending their future investment in new debt and/or equity securities. These government securities will typically have substantially lower yields than the debt securities being prepaid and we could experience significant delays in reinvesting these amounts. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Higher taxation of our portfolio companies may impact our quarterly and annual operating results.

The recession's adverse effect on federal, state, and municipality revenues may induce these government entities to raise various taxes to make up for lost revenues. Additional taxation may have an adverse affect on our portfolio companies' earnings and reduce their ability to repay our loans to them, thus affecting our quarterly and annual operating results.

Our portfolio is concentrated in a limited number of companies and industries, which subjects us to an increased risk of significant loss if any one of these companies does not repay us or if the industries experience downturns.

As of September 30, 2015, we had investments in 48 portfolio companies, of which there were five investments that comprised approximately $109.6 million or 30.0% of our total investment portfolio, at fair value. A consequence of a concentration in a limited number of investments is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of such investments or a substantial write-down of any one investment. Beyond our regulatory and income tax diversification requirements, we do not have fixed guidelines for industry concentration and our investments could potentially be concentrated in relatively few industries. In addition, while we do not intend to invest 25.0% or more of our total assets in a particular industry or group of industries at the time of investment, it is possible that as the values of our portfolio companies change, one industry or a group of industries may comprise in excess of 25.0% of the value of our total assets. As a result, a downturn in an industry in which we have invested a significant portion of our total assets could have a materially adverse effect on us. As of September 30, 2015, our largest industry concentrations of our total investments at fair value were in diversified/conglomerate manufacturing companies, representing 15.4%; oil and gas companies, representing 14.0%; and healthcare, education and childcare companies, representing 12.3%. Therefore, we are susceptible to the economic circumstances in these industries, and a downturn in one or more of these industries could have a material adverse effect on our results of operations and financial condition.

Our investments are typically long term and will require several years to realize liquidation events.

Since we generally make five to seven year term loans and hold our loans and related warrants or other equity positions until the loans mature, you should not expect realization events, if any, to occur over the near term. In addition, we expect that any warrants or other equity positions that we receive when we make loans may require several years to appreciate in value and we cannot give any assurance that such appreciation will occur.

The disposition of our investments may result in contingent liabilities.

Currently, all of our investments involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the underlying portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we have structured some of our investments as senior loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt investments and subordinate all, or a portion, of our claims to that of other creditors. Holders of debt instruments ranking senior to our investments typically would be entitled to receive payment in full before we receive any distributions. After repaying such senior creditors, such portfolio company may not have any remaining assets to use to repay its obligation to us. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or in instances in which we exercised control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance.

Portfolio company litigation could result in additional costs and the diversion of management time and resources.

In the course of investing in and often providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, even if without merit, we or such employees may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources.

We may not realize gains from our equity investments and other yield enhancements.

When we make a subordinated loan, we may receive warrants to purchase stock issued by the borrower or other yield enhancements, such as success fees. Our goal is to ultimately dispose of these equity interests and realize gains upon our disposition of such interests. We expect that, over time, the gains we realize on these warrants and other yield enhancements will offset any losses we experience on loan defaults. However, any warrants we receive may not appreciate in value and, in fact, may decline in value and any other yield enhancements, such as success fees, may not be realized. Accordingly, we may not be able to realize gains from our equity interests or other yield enhancements and any gains we do recognize may not be sufficient to offset losses we experience on our loan portfolio.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce our income available for distribution.

As a BDC we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Since our inception, we have, at times, incurred a cumulative net unrealized depreciation of our portfolio. Any unrealized depreciation in our investment portfolio could result in realized losses in the future and ultimately in reductions of our income available for distribution to stockholders in future periods.

Risks Related to Our External Financing

In addition to regulatory limitations on our ability to raise capital, our revolving line of credit contains various covenants which, 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.

We will have a continuing need for capital to finance our investments. As of September 30, 2015, we had $127.3 million in borrowings outstanding under our fifth amended and restated credit agreement (our “Credit Facility”), which provides for maximum borrowings of $170.0 million, with a revolving period end date of January 19, 2019. Our Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement. Our Credit Facility contains covenants that require our wholly-owned subsidiary Gladstone Business Loan (“Business Loan”) to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies without lenders’ consent. The Credit Facility also limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. We are also subject to certain limitations on the type of loan investments we can make, including restrictions on geographic concentrations, sector concentrations, loan size, interest rate type, payment frequency and status, average life and lien property. Our Credit Facility further requires us to comply with other financial and operational covenants, which obligate us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum number of 20 obligors in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $205.0 million as of September 30, 2015, (ii) asset coverage with respect to “senior securities representing indebtedness” of at least 200.0%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of September 30, 2015, and as defined in the performance guaranty of our Credit Facility, we were in compliance with all of our Credit Facility covenants; however, our continued compliance depends on many factors, some of which are beyond our control.

Given the continued uncertainty 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 our Credit Facility. 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.

Any inability to renew, extend or replace our Credit Facility on terms favorable to us, or at all, could adversely impact our liquidity and ability to fund new investments or maintain distributions to our stockholders.

The revolving period end date of our Credit Facility is January 19, 2019 (the “Revolving Period End Date”) and if our Credit Facility is not renewed or extended by the Revolving Period End Date, all principal and interest will be due and payable on or before May 1, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded to a total of $250.0 million through the addition of other lenders to the facility. However, if additional lenders are unwilling to join the facility on its terms, we will be unable to expand the facility and thus will continue to have limited availability to finance new investments under our Credit Facility. There can be no guarantee that we will be able to renew, extend or replace our Credit Facility upon its Revolving Period End Date on terms that are favorable to us, if at all. Our ability to expand our Credit Facility, and to obtain replacement financing at or before the Revolving Period End Date, will be constrained by then-current economic conditions affecting the credit markets. In the event that we are not able to expand our Credit Facility, or to renew, extend or refinance our Credit Facility by the Revolving Period End Date, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC under the Code.

If we are unable to secure replacement financing, we may be forced to sell certain assets on disadvantageous terms, which may result in realized losses, and such realized losses could materially exceed the amount of any unrealized depreciation on these assets as of our most recent balance sheet date, which would have a material adverse effect on our results of operations. Such circumstances would also increase the likelihood that we would be required to redeem some or all of our outstanding mandatorily redeemable preferred stock, which could potentially require us to sell more assets. In addition to selling assets, or as an alternative, we may issue equity in order to repay amounts outstanding under our Credit Facility. Based on the recent trading prices of our stock, such an equity offering may have a substantial dilutive impact on our existing stockholders' interest in our earnings, assets and voting interest in us. If we are not able to renew, extend or refinance our Credit Facility prior to its maturity, it could result in significantly higher interest rates and related charges and may impose significant restrictions on the use of borrowed funds to fund investments or maintain distributions to stockholders.

Our business plan is dependent upon external financing, which is constrained by the limitations of the 1940 Act.

The last equity offering we completed was on October 27, 2015 and November 5, 2015 for a total of 2.3 million shares of common stock at a public offering price of $8.55 per share, and there can be no assurance that we will be able to raise capital through issuing equity in the near future. Our business requires a substantial amount of cash to operate and grow. We may acquire such additional capital from the following sources:

- *Senior securities.* We may issue "senior securities representing indebtedness" (including borrowings under our Credit Facility) and "senior securities that are stock," such as our Series 2021 Term Preferred Stock, up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue such senior securities in amounts such that our asset coverage, as defined in Section 18(h) of the 1940 Act, is at least 200.0% on such senior security immediately after each issuance of such senior security. As a result of incurring indebtedness (in whatever form), we will be exposed to the risks associated with leverage. Although borrowing money for investments increases the potential for gain, it also increases the risk of a loss. A decrease in the value of our investments will have a greater impact on the value of our common stock to the extent that we have borrowed money to make investments. There is a possibility that the costs of borrowing could exceed the income we receive on the investments we make with such borrowed funds. In addition, 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 200.0%. If the aggregate value of our assets declines, we might be unable to satisfy that 200.0% requirement. To satisfy the 200.0% 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 below NAV per common share, any non-participating stockholders will be subject to dilution, as described below. Pursuant to Section 61(a)(2) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of "senior securities representing indebtedness." However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of "senior securities that is stock."
- *Common and Convertible Preferred Stock.* Because we are constrained in our ability to issue debt or senior securities for the reasons given above, we are dependent on the issuance of equity as a financing source. If we raise additional funds by issuing more common stock, the percentage ownership of our stockholders at the time of the issuance would decrease and our existing common stockholder may experience dilution. In addition, under the 1940 Act, we will generally not be able to issue additional shares of our common stock at a price below NAV per common share to purchasers, other than to our existing stockholders through a rights offering, without first obtaining the approval of our stockholders and our independent directors. If we were to sell shares of our common stock below our then current NAV per common share, such sales would result in an immediate dilution to the NAV per common

share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting percentage than the increase in our assets resulting from such issuance. For example, if we issue and sell an additional 10.0% of our common stock at a 5.0% discount from NAV, a stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV. This imposes constraints on our ability to raise capital when our common stock is trading below NAV per common share, as it generally has for the last several years. As noted above, the 1940 Act prohibits the issuance of multiple classes of "senior securities that are stock." As a result, we would be prohibited from issuing convertible preferred stock to the extent that such a security was deemed to be a separate class of stock from our outstanding Series 2021 Term Preferred Stock. However, pending legislation in the U.S House of Representatives, if passed, would modify this section of the 1940 Act and allow the issuance of multiple classes of "senior securities that are stock," which may lessen our dependence on the issuance of common stock as a financing source.

We financed certain of our investments with borrowed money and capital from the issuance of 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)				
	(10.0)%	(5.0)%	0.0%	5.0%	10.0%
Corresponding return to common stockholder(A)	(22.3)%	(12.3)%	(2.3)%	7.7%	17.7%

(A) The hypothetical return to common stockholders is calculated by multiplying our total assets as of September 30, 2015 by the assumed rates of return and subtracting all interest accrued on our debt for the year ended September 30, 2015, adjusted for the dividends on our Series 2021 Term Preferred Stock; and then dividing the resulting difference by our total assets attributable to common stock. Based on $382.5 million in total assets, $127.3 million drawn on our Credit Facility (at cost), $61.0 million in aggregate liquidation preference of our Series 2021 Term Preferred Stock, and $191.4 million in net assets, each as of September 30, 2015.

Based on the outstanding balance on our Credit Facility of $127.3 million at cost, as of September 30, 2015, the effective annual interest rate of 4.1% as of that date, and aggregate liquidation preference of our Series 2021 Term Preferred Stock of $61.0 million, our investment portfolio at fair value would have had to produce an annual return of at least 2.0% to cover annual interest payments on the outstanding debt and dividends on our Series 2021 Term Preferred Stock.

A change in interest rates may adversely affect our profitability and our hedging strategy may expose us to additional risks.

We anticipate using a combination of equity and long-term and short-term borrowings to finance our investment activities. As a result, a portion of our income will depend upon the difference between the rate at which we borrow funds and the rate at which we loan these funds. Higher interest rates on our borrowings will decrease the overall return on our portfolio.

Ultimately, we expect approximately 90.0% of the loans in our portfolio to be at variable rates determined on the basis of the LIBOR and approximately 10.0% to be at fixed rates. As of September 30, 2015, based on the total principal balance of debt outstanding, our portfolio consisted of approximately 84.1% of loans at variable rates with floors, approximately 15.9% at fixed rates.

We currently hold one interest rate cap agreement. While hedging activities may insulate us against adverse fluctuations in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or any future hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Our ability to receive payments pursuant to an interest rate cap agreement is linked to the ability of the counter-party to that agreement to make the required payments. To the extent that the counter-party to the agreement is unable to pay pursuant to the terms of the agreement, we may lose the hedging protection of the interest rate cap agreement. For additional information on market interest rate fluctuations, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk*"

Risks Related to Our Regulation and Structure

We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification.

To maintain our qualification as a RIC, we must meet income source, asset diversification, and annual distribution requirements. The annual distribution requirement is satisfied if we distribute at least 90.0% of our investment company taxable income to our stockholders on an annual basis. Because we use leverage, we are subject to certain asset coverage ratio requirements under the 1940 Act and could, under certain circumstances, be restricted from making distributions necessary to qualify as a RIC. Warrants we receive with respect to debt investments will create "original issue discount," which we must recognize as ordinary income over the term of the debt investment or PIK interest which is accrued generally over the term of the debt investment but not paid in cash, both of which will increase the amounts we are required to distribute to maintain RIC status. Because such OIDs and PIK interest will not produce distributable cash for us at the same time as we are required to make distributions, we will need to use cash from other sources to satisfy such distribution requirements. The asset diversification requirements must be met at the end of each calendar quarter. If we fail to meet these tests, we may need to quickly dispose of certain investments to prevent the loss of RIC status. Since most of our investments will be illiquid, such dispositions, if even possible, may not be made at prices advantageous to us and, in fact, may result in substantial losses. If we fail to qualify as a RIC for any reason and become fully subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution, and the actual amount distributed. Such a failure would have a material adverse effect on us and our shares. For additional information regarding asset coverage ratio and RIC requirements, see *"Business—Material U.S. Federal Income Tax Considerations—Regulated Investment Company Status.*"

From time to time, some of our debt investments may include success fees that would generate payments to us if the business is ultimately sold. Because the satisfaction of these success fees, and the ultimate payment of these fees, is uncertain, we generally only recognize them as income when the payment is received. Success fee amounts are characterized as ordinary income for tax purposes and, as a result, we are required to distribute such amounts to our stockholders in order to maintain RIC status.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by us or our portfolio companies to comply with these laws or regulations may adversely affect our business. For additional information regarding the regulations to which we are subject, see "*Business—Material U.S. Federal Income Tax Considerations*" and "*Business—Regulation as a Business Development Company*."

We are subject to restrictions that may discourage a change of control. Certain provisions contained in our charter and Maryland law may prohibit or restrict a change of control and adversely impact the price of our shares.

Our Board of Directors is divided into three classes, with the term of the directors in each class expiring at the annual meeting of stockholders held in the third year following the year of their election. At each annual meeting of stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. After election, a director may only be removed by our stockholders for cause. Election of directors for staggered terms with limited rights to remove directors makes it more difficult for a hostile bidder to acquire control of us. The existence of this provision may negatively impact the price of our securities and may discourage third-party bids to acquire our securities. This provision may reduce any premiums paid to stockholders in a change in control transaction.

Certain provisions of Maryland law applicable to us prohibit business combinations with:

- any person who beneficially owns, directly or indirectly, 10.0% or more of the voting power of our common stock (an "interested stockholder");
- an affiliate of ours who at any time within the two-year period prior to the date in question was an interested stockholder; or
- an affiliate of an interested stockholder.

These prohibitions last for five years after the most recent date on which the interested stockholder became an interested stockholder. Thereafter, any business combination with the interested stockholder must be recommended by our Board of Directors and approved by the affirmative vote of at least 80.0% of the votes entitled to be cast by holders of our outstanding shares of common stock and two-thirds of the votes entitled to be cast by holders of our common stock other than shares held by the interested stockholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in our stockholders' interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that someone becomes an interested stockholder.

Our articles of incorporation permit our Board of Directors to issue up to 50.0 million shares of capital stock. Our Board of Directors may classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock, which it did in connection with our issuance of approximately 2.4 million shares of Series 2021 Term Preferred Stock. Preferred stock, including our Series 2021 Term Preferred Stock, could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Risks Related to Our External Management

We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, Terry Lee Brubaker and Robert L. Marcotte and on the continued operations of the Adviser, for our future success.

We have no employees. Our chief executive officer, chief operating officer, chief financial officer and treasurer, and the employees of the Adviser, do not spend all of their time managing our activities and our investment portfolio. We are particularly dependent upon David Gladstone, Terry Lee Brubaker and Robert L. Marcotte for their experience, skills and networks. Our executive officers and the employees of the Adviser allocate some, and in some cases a material portion, of their time to businesses and activities that are not related to our business. We have no separate facilities and are completely reliant on the Adviser, which has significant discretion as to the implementation and execution of our business strategies and risk management practices. We are subject to the risk of discontinuation of the Adviser's operations or termination of the Advisory Agreement and the risk that, upon such event, no suitable replacement will be found. We believe that our success depends to a significant extent upon the Adviser and that discontinuation of its operations or the loss of its key management personnel could have a material adverse effect on our ability to achieve our investment objectives.

Our success depends on the Adviser's ability to attract and retain qualified personnel in a competitive environment.

The Adviser experiences competition in attracting and retaining qualified personnel, particularly investment professionals and senior executives, and we may be unable to maintain or grow our business if we cannot attract and retain such personnel. The Adviser's ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, its ability to offer competitive wages, benefits and professional growth opportunities. The Adviser competes with investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies for qualified personnel, many of which have greater resources than us. Searches for qualified personnel may divert management's time from the operation of our business. Strain on the existing personnel resources of the Adviser, in the event that it is unable to attract experienced investment professionals and senior executives, could have a material adverse effect on our business.

In addition, we depend upon the Adviser to maintain its relationships with private equity sponsors, placement agents, investment banks, management groups and other financial institutions, and we expect to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the Adviser or members of our investment team fail to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the Adviser has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future.

The Adviser can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

The Adviser has the right to resign under the Advisory Agreement at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Our incentive fee may induce the Adviser to make certain investments, including speculative investments.

The management compensation structure that has been implemented under the Advisory Agreement may cause the Adviser to invest in high-risk investments or take other risks. In addition to its management fee, the Adviser is entitled under the Advisory Agreement to receive incentive compensation based in part upon our achievement of specified levels of income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net income may lead the Adviser to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, maintaining sufficient liquidity, or management of credit risk or market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

We may be obligated to pay the Adviser incentive compensation even if we incur a loss.

The Advisory Agreement entitles the Adviser to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. When calculating our incentive compensation, our pre-incentive fee net investment income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. For additional information on incentive compensation under the Advisory Agreement with the Adviser, see "*Business—Transactions with Related Parties.*"

We may be required to pay the Adviser incentive compensation on income accrued, but not yet received in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as debt instruments with PIK interest or OID. If a portfolio company defaults on a loan, it is possible that such accrued interest previously used in the calculation of the incentive fee will become uncollectible. Consequently, we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against the Adviser. Our OID investments totaled $54.5 million as of September 30, 2015, at cost, which are primarily all syndicated loan investments. For the year ended September 30, 2015, we incurred $0.3 million of OID income and the unamortized balance of OID investments as of September 30, 2015 totaled $0.6 million. As of September 30, 2015, we had four investments which had a PIK interest component and we recorded PIK interest income of $0.6 million during the year ended September 30, 2015. We collected $0 in PIK interest in cash for the year ended September 30, 2015.

The Adviser's failure to identify and invest in securities that meet our investment criteria or perform its responsibilities under the Advisory Agreement would likely adversely affect our ability for future growth.

Our ability to achieve our investment objectives will depend on our ability to grow, which in turn will depend on the Adviser's ability to identify and invest in securities that meet our investment criteria. Accomplishing this result on a cost-effective basis will be largely a function of the Adviser's structuring of the investment process, its ability to provide competent and efficient services to us, and our access to financing on acceptable terms. The senior management team of the Adviser has substantial responsibilities under the Advisory Agreement. In order to grow, the Adviser will need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively would likely have a material adverse effect on our business, financial condition, and results of operations.

There are significant potential conflicts of interest, including with the Adviser, which could impact our investment returns.

Our executive officers and directors, and the officers and directors of the Adviser, serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Mr. Gladstone, our chairman and chief executive officer, is the president of Gladstone Land, chairman of the board and chief executive officer of the Adviser, Gladstone Investment, Gladstone Commercial and Gladstone Land. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is the vice chairman and chief operating officer of the Adviser, Gladstone Investment, Gladstone Commercial and Gladstone Land. Mr. Marcotte is an executive managing director of the Adviser. Moreover, the Adviser may establish or sponsor other investment vehicles which from time to time may have potentially overlapping investment objectives with ours and accordingly may invest in, whether principally or secondarily, asset classes we target. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to the Gladstone affiliate with the investment strategy that most closely fits the investment opportunity. Nevertheless, the management of the Adviser may face conflicts in the allocation of investment opportunities to other entities managed by the Adviser. As a result, it is possible that we may not be given the opportunity to participate in certain investments made by other funds managed by the Adviser. Our Board of Directors approved a revision of our investment objectives and strategies that became effective on January 1, 2013, which may enhance the potential for conflicts in the allocation of investment opportunities to us and other entities managed by the Adviser.

More specifically, in certain circumstances we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, to the prior approval of our Board of Directors. As of September 30, 2015, our Board of Directors has approved the following types of co-investment transactions:

- Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.
- We may invest simultaneously with our affiliate Gladstone Investment in senior syndicated loans whereby neither we nor any affiliate has the ability to dictate the terms of the loans.
- Additionally, pursuant to an exemptive order granted by the SEC in July 2012, under certain circumstances, we may co-invest with Gladstone Investment and any future BDC or closed-end

management investment company that is advised by the Adviser (or sub-advised by the Adviser if it controls the fund), or any combination of the foregoing, subject to the conditions included therein.

Certain of our officers, who are also officers of the Adviser, may from time to time serve as directors of certain of our portfolio companies. If an officer serves in such capacity with one of our portfolio companies, such officer will owe fiduciary duties to stockholders of the portfolio company, which duties may from time to time conflict with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to the Adviser and will reimburse the Administrator for certain expenses it incurs. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through our investors themselves making direct investments. As a result of this arrangement, there may be times when the management team of the Adviser has interests that differ from those of our stockholders, giving rise to a conflict. In addition, as a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. While, neither we nor the Adviser currently receives fees in connection with managerial assistance, the Adviser and Gladstone Securities have, at various times, including in the fiscal year ended September 30, 2015, provided other services to certain of our portfolio companies and received fees from the portfolio companies for these other services. Specifically, Gladstone Securities may be paid an investment banking fee in an amount not greater than 1% of our investment in a portfolio company at the closing of such investment. The investment banking fee is not credited against the base management fee. See "*Management—Certain Transactions—Investment Banking Services.*"

The Adviser is not obligated to provide a credit of the base management fee, which could negatively impact our earnings and our ability to maintain our current level of distributions to our stockholders.

The Advisory Agreement provides for a base management fee based on our gross assets. Since our 2007 fiscal year, our Board of Directors has accepted on a quarterly basis voluntary, unconditional and irrevocable credits to reduce the annual base management fee, which was previously 2.0%, but following an amendment to the Advisory Agreement, effective July 1, 2015 is now 1.75%, on senior syndicated loan participations to 0.5% to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations, and any waived fees may not be recouped by the Adviser in the future. However, the Adviser is not required to issue these or other credits of fees under the Advisory Agreement, and to the extent our investment portfolio grows in the future, we expect these fees will increase. If the Adviser does not issue these credits in future quarters, it could negatively impact our earnings and may compromise our ability to maintain our current level of distributions to our stockholders, which could have a material adverse impact on our stock price.

Our business model is dependent upon developing and sustaining strong referral relationships with investment bankers, business brokers and other intermediaries and any change in our referral relationships may impact our business plan.

We are dependent upon informal relationships with investment bankers, business brokers and traditional lending institutions to provide us with deal flow. If we fail to maintain our relationship with such funds or institutions, or if we fail to establish strong referral relationships with other funds, we will not be able to grow our portfolio of investments and fully execute our business plan.

Our base management fee may induce the Adviser to incur leverage.

The fact that our base management fee is payable based upon our gross assets, which would include any investments made with proceeds of borrowings, may encourage the Adviser to use leverage to make additional investments. Under certain circumstances, the use of increased leverage may increase the likelihood of default, which would disfavor holders of our securities. Given the subjective nature of the investment decisions made by the Adviser on our behalf, we will not be able to monitor this potential conflict of interest.

Risks Related to an Investment in Our Securities

Shares of closed-end investment companies frequently trade at a discount from NAV.

Shares of closed-end investment companies frequently trade at a discount from NAV per common share. Since our inception, our common stock has at times traded above NAV, and at times below NAV per share. Subsequent to September 30, 2015, our common stock has traded at discounts of up to 10.3% of our NAV per share, which was $9.06 as of September 30, 2015. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that our NAV per share will decline. As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV.

Under the 1940 Act, we are generally not able to issue additional shares of our common stock at a price below NAV per share to purchasers other than our existing stockholders through a rights offering without first obtaining the approval of our common stockholders and our independent directors. Additionally, when our common stock is trading below its NAV per share, our dividend yield may exceed the weighted average returns that we would expect to realize on new investments that would be made with the proceeds from the sale of such stock, making it unlikely that we would determine to issue additional shares in such circumstances. Thus, for as long as our common stock may trade below NAV, we will be subject to significant constraints on our ability to raise capital through the issuance of common stock. Additionally, an extended period of time in which we are unable to raise capital may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

The market price of our shares may fluctuate significantly.

The trading price of our common stock and our mandatorily redeemable preferred stock may fluctuate substantially. Due to the extreme volatility and disruptions that have affected the capital and credit markets over the past few years, our stock has experienced greater than usual stock price volatility.

The market price and marketability of our shares may from time to time be significantly affected by numerous factors, including many over which we have no control and that may not be directly related to us. These factors include, but are not limited to, the following:

- general economic trends and other external factors;
- price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- significant volatility in the market price and trading volume of shares of RICs, BDCs or other companies in our sector, which is not necessarily related to the operating performance of these companies;
- Changes in stock index definitions or policies, which may impact an investor’s desire to hold shares of BDCs;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;
- loss of BDC or RIC status;
- changes in our earnings or variations in our operating results;
- changes in prevailing interest rates;
- changes in the value of our portfolio of investments;
- any shortfall in our revenue or net income or any increase in losses from levels expected by securities analysts;

- departure of key personnel;
- operating performance of companies comparable to us;
- short-selling pressure with respect to our shares or BDCs generally;
- the announcement of proposed, or completed, offerings of our securities, including a rights offering; and
- loss of a major funding source.

Fluctuations in the trading prices of our shares may adversely affect the liquidity of the trading market for our shares and, if we seek to raise capital through future equity financings, our ability to raise such equity capital.

We may experience fluctuations in our quarterly and annual operating results.

We may experience fluctuations in our quarterly and annual operating results due to a number of factors, including, among others, variations in our investment income, the interest rates payable on the debt securities we acquire, the default rates on such securities, variations in and the timing of the recognition of realized and unrealized gains or losses, the level of our expenses, the degree to which we encounter competition in our markets, and general economic conditions, including the impacts of inflation. The majority of our portfolio companies are in industries that are directly impacted by inflation, such as manufacturing and consumer goods and services. Our portfolio companies may not be able to pass on to customers increases in their costs of production which could greatly affect their operating results, impacting their ability to repay our loans. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized and unrealized losses and therefore reduce our net assets resulting from operations. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There is a risk that you may not receive distributions or that distributions may not grow over time.

We intend to distribute at least 90.0% of our investment company taxable income to our stockholders on a quarterly basis by paying monthly distributions. We expect to retain some or all net realized long-term capital gains by first offsetting them with realized capital losses, and secondly through a deemed distribution to supplement our equity capital and support the growth of our portfolio, although our Board of Directors may determine in certain cases to distribute these gains to our common stockholders. In addition, our Credit Facility restricts the amount of distributions we are permitted to make. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions. Further, the terms of our outstanding preferred stock may restrict our ability to pay distributions on our common stock or require us to redeem shares of preferred stock if we do not meet the required asset coverage ratio for "senior securities that are stock" and fail to cure such required asset coverage ratio within the applicable cure period. See *"Risks Related to Our Regulation and Structure—We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification."*

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

Distributions to our stockholders have included and may in the future include a return of capital.

Quarterly, our Board of Directors declares monthly distributions based on then current estimates of taxable income for each fiscal year, which may differ, and in the past have differed, from actual results. Because our distributions are based on estimates of taxable income that may differ from actual results, future distributions payable to our stockholders may also include a return of capital. Moreover, to the extent that we distribute amounts that exceed our current and accumulated earnings and profits, these distributions constitute a return of capital. A return of capital represents a return of a stockholder's original investment in shares of our stock and should not be confused with a distribution from earnings and profits. Although return of capital distributions may not be taxable, such distributions may increase an investor's tax liability for capital gains upon the sale of our shares by reducing the investor's tax basis for such shares. Such returns of capital reduce our asset base and also adversely impact our ability to raise debt capital as a result of the leverage restrictions under the 1940 Act, which could have material adverse impact on our ability to make new investments.

The issuance of subscription rights to our existing stockholders may dilute the ownership and voting powers of existing stockholders in our common stock, dilute the NAV of their shares and have a material adverse effect on the trading price of our common stock.

There are significant capital raising constraints applicable to us under the 1940 Act when our common stock is trading below its NAV per share. In the event that we issue subscription rights to our existing stockholders to subscribe for and purchase additional shares of our common stock, there is a significant possibility that the rights offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their subscription rights. Stockholders who do not fully exercise their subscription rights should expect that they will, upon completion of the rights offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their subscription rights. In addition, because the subscription price of the rights offering is likely to be less than our most recently determined NAV per common share, our common stockholders are likely to experience an immediate dilution of the per share NAV of their shares as a result of the offer. As a result of these factors, any future rights offerings of our common stock, or our announcement of our intention to conduct a rights offering, could have a material adverse impact on the trading price of our common stock.

Common stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current NAV per share of our common stock.

At our most recent annual meeting of stockholders on February 12, 2015, our stockholders approved a proposal designed to allow us to sell shares of our common stock below the then current NAV per share of our common stock in one or more offerings for a period of one year from the date of such approval, subject to certain conditions (including, but not limited to, that the number of common 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). Absent such stockholder approval, we would not be able to access the capital markets in an offering at below the then current NAV per share due to restrictions applicable to BDCs under the 1940 Act.

We exercised this right with our Board of Directors approval when we sold an aggregate of 131,462 shares of our common stock under our at-the-market program for gross proceeds of a combined $1.2 million at an average price of $8.89 per share, which was below our then current NAV of an average $9.41 per share during March and April 2015. In addition, subsequent to September 30, 2015, we exercised this right again with our Board of Directors approval when we completed a public offering of 2.3 million shares of our common stock, inclusive of the overallotment for gross proceeds totaling $17.1 million, at a public offering price of $8.55 per share, which was below our then current NAV of $9.06 per share.

At the upcoming annual stockholders meeting scheduled for February 11, 2016, our stockholders will again be asked to vote in favor of renewing this proposal for another year. During the past year, our common stock has traded consistently below NAV. Any decision to sell shares of our common stock below the then current NAV per share of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders' best interests.

If we were to sell shares of our common stock below NAV per share, such sales would result in an immediate dilution to the NAV per share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. The greater the difference between the sale price and the NAV per share at the time of the offering, the more significant the dilutive impact would be. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect, if any, cannot be currently predicted. However, if, for example, we sold an additional 10.0% of our common stock at a 5.0% discount from NAV, a stockholder who did not participate in that offering for its proportionate interest would suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV.

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

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

If we fail to pay dividends on our Series 2021 Term Preferred Stock for two years, the holders of our Series 2021 Term Preferred Stock will be entitled to elect a majority of our directors.

The terms of our Series 2021 Term Preferred Stock provide for annual dividends in the amount of $1.6875 per outstanding share of Series 2021 Term Preferred Stock. In accordance with the terms of our Series 2021 Term Preferred Stock, if dividends thereon are unpaid in an amount equal to at least two years of dividends, the holders of Series 2021 Term Preferred Stock will be entitled to elect a majority of our Board of Directors.

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

In May 2014, we completed a public offering of the Series 2021 Term Preferred Stock, at a public offering price of $25.00 per share. In such offering, we issued 2.4 million shares of Series 2021 Term Preferred Stock. The shares of Series 2021 Term Preferred Stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock. Further, in the future, we may attempt to increase our capital resources by making additional offerings of preferred equity securities or issuing debt securities. Upon liquidation, holders of our preferred stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including the Credit Facility, would receive a distribution of our available assets in full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us. For more detail regarding senior rights of preferred stockholders, see “Description of Our Securities—Preferred Stock.”

Other Risks

We could face losses and potential liability if intrusion, viruses or similar disruptions to our technology jeopardize our confidential information, whether through breach of our network security or otherwise.

Maintaining our network security is of critical importance because our systems store highly confidential financial models and portfolio company information. Although we have implemented, and will continue to implement, security measures, our technology platform is and will continue to be vulnerable to intrusion, computer viruses or similar disruptive problems caused by transmission from unauthorized users. The misappropriation of proprietary information could expose us to a risk of loss or litigation.

Terrorist attacks, acts of war, or national disasters may affect any market for our common stock, impact the businesses in which we invest, and harm our business, operating results, and financial conditions.

Terrorist acts, acts of war, or national disasters have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or national disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results, and financial condition. Losses from terrorist attacks and national disasters are generally uninsurable.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided to us by third-party service providers. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties’ communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement, other than historical facts, may constitute "forward-looking statements." These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker and Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) those factors described in the "Risk Factors" section of this prospectus and any accompanying prospectus supplement. 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. The forward-looking statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

USE OF PROCEEDS

Unless otherwise specified in any prospectus supplement accompanying this prospectus, we expect to use the net proceeds from the sale of the Securities first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. For the year ended September 30, 2015, indebtedness under our Credit Facility had a weighted average interest rate of approximately 4.1%, excluding effects of amortization on our deferred financing costs, and the revolving period ends on January 19, 2019. We anticipate that substantially all of the net proceeds of any offering of Securities will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of any offering of Securities primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

We currently intend to distribute in the form of cash dividends, for each taxable year, a minimum of 90% of our annual ordinary income and short-term capital gains, if any, to our stockholders in the form of monthly dividends. We intend to retain long-term capital gains and treat them as deemed distributions for tax purposes. We report the estimated tax characterization of each dividend when declared while the actual tax characterization of dividends for each calendar year are reported to each stockholder on IRS Form 1099-DIV. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions. At the option of a holder of record of common stock, all cash distributions paid with respect to our common stock can be reinvested automatically under our dividend reinvestment plan in additional whole and fractional shares of our common stock. A stockholder whose

Table of Contents

shares are held in the name of a broker or other nominee should contact the broker or nominee regarding participation in a dividend reinvestment plan. See "*Risk Factors—Risks Related to Our Regulation and Structure—We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification;*" "*Dividend Reinvestment Plan;*" and "*Material U.S. Federal Income Tax Considerations.*"

Our common stock is quoted on the NASDAQ under the symbol "GLAD." Our common stock has historically traded at prices both above and below its NAV. There can be no assurance that any premium to NAV will be attained or maintained. As of December 17, 2015 there were 37 stockholders of record, meaning individuals or entities that we carry in our records as the registered holder (although not necessarily the beneficial owner) of our common stock.

The following table sets forth the range of high and low intraday sale prices of our common stock as reported on the NASDAQ and the distributions declared by us for the last two completed fiscal years and the current fiscal year through December 17, 2015.

COMMON SHARE PRICE DATA

	NAV(1)	High	Low	Distribution Declared	(Discount) or Premium of High Sales Price to NAV(2)	(Discount) or Premium of Low Sales Price to NAV(2)
Fiscal Year ending September 30, 2014(3)						
First Quarter	10.10	9.92	8.60	0.21	(1.8)	(14.9)
Second Quarter	9.79	10.37	9.27	0.21	5.9	(5.3)
Third Quarter	8.62	10.21	9.41	0.21	18.4	9.2
Fourth Quarter	9.51	10.27	8.06	0.21	8.0	(15.2)
Fiscal Year ending September 30, 2015(4)						
First Quarter	9.31	9.41	8.02	0.21	1.1	(13.9)
Second Quarter	9.55	9.10	7.25	0.21	(4.7)	(24.1)
Third Quarter	9.49	8.99	7.84	0.21	(5.3)	(17.4)
Fourth Quarter	9.06	9.25	7.58	0.21	2.1	(16.3)
Fiscal Year ending September 30, 2016(5)						
First Quarter (through December 17, 2015)	*	9.09	6.39	0.21	*	*

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low intraday sale prices. The NAV per shares shown are based on outstanding shares at the end of each period.

(2) The (discounts) premiums to NAV per share set forth in these columns represent the high or low, as applicable, intraday sale price per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the (discount) premium to NAV per share on the date of the high and low intraday sale prices.

(3) For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock dividends), which resulted in a partial return of capital of approximately $15.2 million, or approximately $0.72 per share. The return of capital for the year ended September 30, 2014, primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

(4) For the fiscal year ended September 30, 2015, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $1.7 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year.

(5) The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2016 will be determined at fiscal year-end based upon taxable income for the full year and distributions paid during the full year.

* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.

The following are our outstanding classes of securities as of September 30, 2015.

Title of Class	Amount Authorized	Amount Held by us or for Our Account	Amount Outstanding
Common Stock	46,000,000	—	21,000,160
6.75% Series 2021 Term Preferred Stock	4,000,000	—	2,440,000

RATIOS OF EARNINGS TO FIXED CHARGES

For the years ended September 30, 2015, 2014, 2013, 2012 and 2011, the ratios of three income metrics to fixed charges of the Company, computed as set forth below, were as follows:

	Year Ended September 30,				
	2015	2014	2013	2012	2011
Net investment income plus fixed charges to fixed charges	3.0x	3.5x	3.6x	3.3x	5.5x
Net investment income plus net realized losses plus fixed charges to fixed charges(A)	(0.8x)	1.9x	2.8x	1.8x	5.2x
Net increase (decrease) in net assets resulting from operations plus fixed charges to fixed charges(B)	1.9x	2.6x	5.5x	0.0x	(4.2x)

For purposes of computing the ratios, fixed charges include interest expense on borrowings, dividend expense on mandatorily redeemable preferred stock and amortization of deferred financing fees.

(A) Due to a realized loss on certain investments during the year ended September 30, 2015, the ratio of net investment income plus net realized losses plus fixed charges was less than 1:1. We would have needed to generate additional net investments income of approximately $17.0 million during the year ended September 30, 2015 to achieve a coverage ratio of 1:1.

(B) Due to unrealized depreciation of certain investments during each of the years ended September 30, 2012 and 2011, the ratio of earnings to fixed charges were less than 1:1. We would have needed to generate additional earnings of approximately $8.0 and $21.5 million in each respective year to achieve a coverage ratio of 1:1.

Table of Contents

CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data for the fiscal years ended September 30, 2015, 2014, 2013, 2012, and 2011 are derived from our audited consolidated financial statements. The other data included in the second table below is unaudited. The data should be read in conjunction with our accompanying consolidated financial statements and notes thereto and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* included elsewhere in this prospectus.

(dollar amounts in thousands, except per share and per unit data)

	Year Ended September 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Statement of Operations Data:					
Total Investment Income	**$ 38,058**	$ 36,585	$ 36,154	$ 40,322	$ 35,211
Total Expenses, Net of Credits from Adviser	**20,358**	18,217	17,768	21,278	16,799
Net Investment Income	**17,700**	18,368	18,386	19,044	18,412
Net Realized and Unrealized (Loss) Gain on Investments, Borrowings and Other	**(9,216)**	(7,135)	13,833	(27,052)	(39,511)
Net Increase (Decrease) in Net Assets Resulting from Operations	**$ 8,484**	$ 11,233	$ 32,219	$ (8,008)	$ (21,099)
Per Share Data:					
Net Investment Income per Common Share—Basic and Diluted(A)	**$ 0.84**	$ 0.87	$ 0.88	$ 0.91	$ 0.88
Net Increase (Decrease) in Net Assets Resulting from Operations per Common Share—Basic and Diluted(A)	**0.40**	0.53	1.53)	(0.38)	(1.00
Distributions Declared and Paid Per Common Share	**0.84**	0.84	0.84	0.84	0.84
Statement of Assets and Liabilities Data:					
Total Assets	**$ 382,482**	$ 301,429	$ 295,091	$ 293,402	$ 317,624
Net Assets	**191,444**	199,660	205,992	188,564	213,721
Net Asset Value Per Common Share	**9.06**	9.81	9.81	8.98	10.16
Common Shares Outstanding	**21,131,622**	21,000,160	21,000,160	21,000,160	21,039,242
Weighted Common Shares Outstanding—Basic and Diluted	**21,066,844**	21,000,160	21,000,160	21,011,123	21,039,242
Senior Securities Data:					
Borrowings under Credit Facility, at cost(B)	**$ 127,300**	$ 36,700	$ 46,900	$ 58,800	$ 99,400
Mandatorily redeemable preferred stock(B)	**61,000**	61,000	38,497	38,497	—

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

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

Table of Contents

	Year Ended September 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Other Unaudited Data:					
Number of Portfolio Companies at Year End	**48**	45	47	50	59
Average Size of Portfolio Company Investment at Cost	**$ 8,547**	$ 7,762	$ 7,069	$ 7,300	$ 6,488
Principal Amount of New Investments	**102,299**	81,731	80,418	45,050	110,903
Proceeds from Loan Repayments, Investments Sold and Exits	**40,273**	72,560	117,048	73,857	50,002
Weighted Average Yield on Investments(E)	**10.93%**	11.47%	11.63%	11.25%	11.21%
Total Return(F)	**2.40**	9.62	9.90	41.39	(33.77)

(E) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year.

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

SELECTED QUARTERLY DATA (UNAUDITED)

	Year Ended September 30, 2015			
	Quarter Ended December 31, 2014	Quarter Ended March 31, 2015	Quarter Ended June 30, 2015	Quarter Ended September 30, 2015
Total investment income	**$ 8,726**	**$ 9,223**	**$ 9,935**	**$ 10,174**
Net investment income	**3,691**	**3,693**	**4,836**	**5,480**
Net increase (decrease) in net assets resulting from operations	**331**	**9,542**	**3,307**	**(4,696)**
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	**$ 0.02**	**$ 0.45**	**$ (0.16)**	**$ (0.22)**

	Year Ended September 30, 2014			
	Quarter Ended December 31, 2013	Quarter Ended March 31, 2014	Quarter Ended June 30, 2014	Quarter Ended September 30, 2014
Total investment income	$ 8,392	$ 9,331	$ 10,180	$ 8,682
Net investment income	4,410	4,485	5,063	4,410
Net increase (decrease) in net assets resulting from operations	10,506	(2,102)	(20,175)	23,004
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	**$ 0.50**	**$ (0.10)**	**$ (0.96)**	**$ 1.09**

	Year Ended September 30, 2013			
	Quarter Ended December 31, 2012	Quarter Ended March 31, 2013	Quarter Ended June 30, 2013	Quarter Ended September 30, 2013
Total investment income	$ 9,828	$ 8,424	$ 8,551	$ 9,351
Net investment income	4,859	4,410	4,410	4,707
Net increase (decrease) in net assets resulting from operations	8,366	(2,763)	(2,059)	28,675
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.40	$ (0.13)	$ (0.10)	$ 1.36

[Table of Contents](#)

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

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

OVERVIEW

General

We were incorporated under the Maryland General Corporation Law on May 30, 2001. We operate as an externally managed, closed-end, non-diversified management investment company, and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, for federal income tax purposes we have elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). As a BDC and a RIC, we are subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

We were established for the purpose of investing in debt and equity securities of established private business operating in the United States ("U.S."). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our investment objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of September 30, 2015, our investment portfolio was made up of approximately 91.2% debt investments and 8.8% equity investments, 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, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

In July 2012, the Securities and Exchange Commission ("SEC") granted us an exemptive order that expands our ability to co-invest with certain of our affiliates by permitting us, under certain circumstances, to co-invest with Gladstone Investment Corporation ("Gladstone Investment") 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 believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (generally 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, have a success fee or deferred interest provision and are primarily interest only with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control in the business. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind ("PIK") interest.

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

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

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

Business Environment

The strength of the global economy and the U.S. economy in particular, continues to be uncertain, although economic conditions generally appear to be improving, albeit slowly. Many of our portfolio companies, as well as those small and medium-sized companies that we evaluate for prospective investment, may remain vulnerable to the impacts of the uncertain economy which may impact their ability to repay our loans or engage in a liquidity event, such as a sale, recapitalization or initial public offering. Uncertain political, regulatory and economic conditions could also disproportionately impact some of the industries in which we have invested, causing us to be more vulnerable to losses in our portfolio, resulting in an increase in the number of our non-performing assets and a decrease in the fair market value of our portfolio.

We believe several factors impacting commercial banks, including consolidation, capital constraints and regulatory changes, have benefited our fund and other lenders like us. There has been, however, increased competitive pressure in the middle market lending marketplace from other BDCs and other investment companies, as well as small banks and some private investors, for senior secured and senior secured subordinated debt. We have seen an increase in refinancing and recapitalization transactions and there have been increased competitive pressures resulting in reduced investment yields and/or higher leverage and increasingly riskier investments in the middle market segment we focus on. In addition, there has been an increase in new entrants (financial services companies, BDCs and other investment funds) seeking to capitalize on middle market lending opportunities. Many of our competitors have lower cost of capital than we do and also may be willing to take on riskier investments than we are. We do not know if general economic conditions will continue to improve or if adverse conditions will recur and we do not know the full extent to which the inability of the U.S. government to address its fiscal condition in the near and long term will affect us. If market instability persists or intensifies, we may experience difficulty in raising capital. In summary, we believe we are in a prolonged economic recovery; however, we do not know the full extent to which the impact of the current economic conditions will affect us or our portfolio companies.

Portfolio Activity

While conditions remain somewhat challenging in the marketplace, we believe that the current credit environment provides many investment opportunities that are consistent with our investment objectives and strategies and whereby we can achieve attractive risk-adjusted returns. During the year ended September 30, 2015, we invested in 11 new proprietary and syndicate investments totaling $102.3 million; however, five portfolio companies paid off early or were sold during the year, for an aggregate of $14.9 million in unscheduled payoffs. Additionally, we have continued to focus on challenged investments over our 2015 fiscal year and sold two portfolio companies that were on non-accrual status at the time of sale and restructured one portfolio company that was previously on non-accrual, for aggregate net proceeds of $7.1 million and a combined realized loss of $34.1 million, resulting in a net expansion of three portfolio companies year over year. We will continue to manage any non-strategic investments to an orderly exit.

During the year ended September 30, 2015, our eight new proprietary investments provided a weighted average current pay interest rate of 10.1%, a going in weighted average leverage of 3.3x, a current weighted average life of 4.5 years and a mix of approximately 92.1% secured first lien and 7.9% secured second lien investments, all based on the originating debt principal balances. One portfolio company where we co-invested with Gladstone Investment was included in these new proprietary investments, as discussed further under "*Investment Highlights*."

Capital Raising Efforts

Despite the challenges in the economy for the past several years, in fiscal 2015, and immediately subsequent to, we met our capital needs through the extension, expansion and enhancement to our $170.0 million revolving line of credit (our "Credit Facility") and by accessing the capital markets in the form of offerings of our common stock. In May, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Facility (the "Credit Facility"), which increased the commitment amount from $137.0 million to $140.0 million, extended the revolving period end date by three years to January 19, 2019, decreased the marginal interest rate added to 30-day LIBOR from 3.75% to 3.25% per annum, set the unused commitment fee at 0.50% on all undrawn amounts, expanded the scope of eligible collateral, and amended certain other terms and conditions. In June 2015, we through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity under our Credit Facility by $30.0 million to $170.0 million. Most recently, we issued 2.3 million shares of common stock for gross proceeds of $19.7 million in October and November 2015. Refer to ("*Liquidity and Capital Resources—Revolving Credit Facility"* , and *"—Equity—Common Stock"*) for further discussion of our revolving line of credit and recent common stock offerings.

Although we were able to access the capital markets over the last year, we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may inhibit our ability to finance new investments through the issuance of equity. The current volatility in the credit market and the uncertainty surrounding the U.S. economy have led to significant stock market fluctuations, particularly with respect to the stock of financial services companies like ours. During times of increased price volatility, our common stock may be more likely to trade at a price below our net asset value ("NAV") per share, which is not uncommon for BDCs like us.

On November 20, 2015, the closing market price of our common stock was $8.68, a 4.2% discount to our September 30, 2015, NAV per share of $9.06. When our stock trades below NAV per common share, as it has fairly consistently over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without first obtaining approval from our stockholders and our independent directors, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 12, 2015, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our board of directors (our "Board of Directors") makes certain determinations prior to any such sale. With our Board of Directors' subsequent approval, we issued shares of our common stock under an at-the-market program (refer to "*Recent Developments—At-the-Market Program*") and in an overnight offering in October 2015 with the overallotment closing in November 2015 at a price per share below the then current NAV per share. The resulting proceeds, in part, will allow us to grow the portfolio by making new investments, generate additional income through new investments, and provide us additional equity capital to help ensure continued compliance with regulatory tests. Refer to "*Liquidity and Capital Resources—Equity—Common Stock*" for further discussion of our common stock offerings.

The current uncertain and volatile economic conditions may also continue to cause the value of the collateral securing some of our loans, as well as the value of our equity investments, to fluctuate, which has impacted and may continue to impact our ability to borrow under our Credit Facility. Additionally, our Credit Facility contains covenants regarding the maintenance of certain minimum loan concentrations and net worth, which are affected by the decrease in value of our portfolio. Failure to meet these requirements would result in a default which, if we are unable to obtain a waiver from our lenders, would cause an acceleration of our repayment obligations under our Credit Facility. As of September 30, 2015, we were in compliance with all of our Credit Facility's covenants.

Regulatory Compliance

Challenges in the current market are intensified for us by certain regulatory limitations under the Code and the 1940 Act, as well as contractual restrictions under the agreement governing our Credit Facility that further constrain our ability to access the capital markets. To qualify to be taxed as a RIC, we must distribute at least 90.0% of our investment company taxable income, which is generally our net ordinary income plus the excess of our net short-term capital gains over net long-term capital losses. Because we are required to satisfy the RIC annual stockholder distribution requirement, and because the illiquidity of many of our investments makes it difficult for us to finance new investments through the sale of current investments, our ability to make new investments is highly dependent upon external financing. Our external financing sources include the issuance of equity securities, debt securities or other leverage, such as borrowings under our Credit Facility. 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 (as defined in Section 18(h) of the 1940 Act), of at least 200.0% on our "senior securities representing indebtedness," inclusive of additional external debt financing that we seek to incur. Furthermore, to issue additional "senior securities that are stock" (such as our series of mandatorily redeemable preferred stock) Section 18 of the 1940 Act requires that we must have an asset coverage ratio of at least 200% on our "senior securities that are stock."

We expect that, given these regulatory and contractual constraints in combination with current market conditions, debt and equity capital may be costly for us to access in the near term. However, we believe that our recent amendments to our Credit Facility to decrease the interest rate on advances and extend its maturity until 2019 and our ability to co-invest with Gladstone Investment and certain other affiliated investment funds, should increase our ability to make investments in businesses that we believe will be generally resistant to a recession and, as a result, will be likely to achieve attractive long-term returns for our stockholders.

Going into fiscal year 2016, we intend to continue to work through some of the older investments in our portfolio to enhance overall returns and hope to show our stockholders new conservative investments in businesses with steady cash flows. We are focused on building our pipeline and making investments that meet our objectives and strategies and that provide appropriate returns, in light of the accompanying risks.

Investment Highlights

During the year ended September 30, 2015, we invested an aggregate of $102.3 million in 11 new portfolio companies and an aggregate of $33.8 million in existing portfolio companies. Also, during the year ended September 30, 2015, we exited our investments in two non-accrual portfolio companies, and restructured one of our portfolio companies that was previously on non-accrual, for net proceeds of a combined $7.1 million, and we received scheduled and unscheduled principal repayments of a combined $40.3 million from existing portfolio companies, including $26.7 million from early payoffs at par and sales. Since our initial public offering in August 2001, we have made 398 different loans to, or investments in, 196 companies for a total of approximately $1.4 billion, before giving effect to principal repayments on investments and divestitures.

Investment Activity

During the year ended September 30, 2015, we executed the following transactions with certain of our portfolio companies:

Issuances and Originations

During the year ended September 30, 2015, we invested an aggregate of $89.8 million to eight new proprietary portfolio companies and an aggregate of $12.5 million in three new syndicated portfolio companies (PSC Industrial Holdings Corp., SourceHOV LLC and Vertellus Specialties Inc.). Below are significant issuances and originations during the year ended September 30, 2015:

- *B+T Holdings Inc*.—In December 2014, we invested $8.1 million, along with an unfunded line of credit of $0.3 million, in B+T Holdings Inc. ("B+T"), through a combination of secured first lien debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with one of our affiliated funds, Gladstone Investment. Gladstone Investment invested an additional $19.6 million under the same terms as us.
- *LWO Acquisitions Company, LLC*—In December 2014, we invested $13.5 million, along with an unfunded line of credit of $1.5 million, in LWO Acquisitions Company, LLC, ("LWO Acquisitions") through a combination of secured first lien debt and equity. LWO Acquisitions, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.
- *Vision Government Solutions, Inc*.—In December 2014, we invested $10.0 million, along with an unfunded line of credit of $1.0 million, in Vision Government Solutions, Inc. ("Vision") through secured first lien debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.
- *United Flexible, Inc*.—In February 2015, we invested $21.2 million, along with an unfunded line of credit of $4.0 million, in United Flexible, Inc. (formerly known as Precision Metal Hose, Inc.) ("United Flexible") through a combination of secured first lien debt and equity. United Flexible, headquartered in Romeoville, Illinois, is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gasses in extreme environments.
- *Mikawaya*—In July 2015, we invested $7.2 million, in Mikawaya, through a combination of secured second lien debt and equity. Mikawaya, headquartered in Vernon, California, is a producer of Japanese pastries and specialty frozen desserts.
- *TWS Acquisition Corporation*—In July 2015, we invested $13.0 million, along with an unfunded line of credit of $1.5 million, in TWS Acquisition Corporation ("TWS") through secured first lien debt. TWS, headquartered in Phoenix, Arizona, is the parent company of Tulsa Welding School and The Refrigeration School, Inc., which are post-secondary skilled trade schools.
- *Triple H Food Processors, Inc.*—In August 2015, we invested $8.3 million, along with an unfunded line of credit of $1.5 million in Triple H Food Processors, Inc. ("Triple H") through a combination of secured first lien debt and an equity co-investment. Triple H, headquartered in Riverside, California, provides co-packing services to a wide variety of branded and private label liquid and related food products.

- *Flight Fit N Fun LLC*—In September 2015, we invested $8.5 million in Flight Fit N Fun LLC ("Flight") through a combination of secured first lien debt and equity. Flight, headquartered in Springfield, Virginia, operates trampoline parks that provide entertainment facilities where jumpers of all ages can participate in active social outings, lively corporate gatherings, intense individual workouts or memorable birthday parties.

Repayments and Exits

During the year ended September 30, 2015, 29 borrowers made principal repayments totaling $40.3 million in the aggregate, consisting of $39.1 million of unscheduled principal and revolver repayments, as well as $1.2 million in contractual principal amortization. Below are significant repayments and exits during the year ended September 30, 2015:

- Included in the unscheduled principal payments were the net proceeds from the early payoffs and sales, at or above par of the following:
  - Syndicated investment sales: Blue Coat Systems, Inc. of $3.1 million, Envision Acquisition Company, LLC of $2.6 million, Sensus USA, Inc. of $0.5 million and Ardent Medical Services, Inc. of $7.2 million. These syndicated payoffs had a weighted average internal rate of return ("IRR") of 12.2% at payoff
- *North American Aircraft Services, LLC.*—In October 2014, North American Aircraft Services, LLC. ("NAAS"), paid off early resulting in a $1.6 million realized gain and success fees of $0.6 million recorded in the quarter ended December 31, 2014. The resulting internal rate of return on payoff was 18.0%.
- *Midwest Metal Distribution, Inc* .—In December 2014, we sold our investment in Midwest Metal Distribution, Inc. ("Midwest Metal") for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the quarter ended December 31, 2014. Midwest Metal was on non-accrual status at the time of the sale.
- *Sunburst Media—Louisiana, LLC*—In June 2015, we exited our investment in Sunburst Media—Louisiana, LLC ("Sunburst") for net proceeds of $4.7 million, which resulted in a realized loss of $1.3 million recorded in the quarter ended June 30, 2015.
- *Saunders & Associates*—In August 2015, we exited our investment in Saunders & Associates ("Saunders") for net proceeds of $1.0 million and a realized loss of $8.9 million recorded in the quarter ended September 30, 2015. Saunders was on non-accrual status at the time of the sale.
- *GFRC Holding, LLC*—In September 2015, we restructured our investment in GFRC Holding, LLC ("GFRC"), resulting in a realized loss of $10.8 million recorded in the quarter ended September 30, 2015. GFRC was on non-accrual status at the time of the restructure and was reinstated to accrual status effective September 30, 2015.

Refer to Note 15—*Subsequent Events* in our accompanying *Consolidated Financial Statements* included elsewhere in prospectus for investment activity occurring subsequent to September 30, 2015. Of note, the following significant exits occurred subsequent to September 30, 2015:

- *Allison Publications, LLC*—In October 2015, Allison Publications, LLC paid off at par for net proceeds of $8.2 million.
- *Ameriqual Group, LLC*—In October 2015, Ameriqual Group, LLC paid off at par for net proceeds of $7.4 million.
- *First American Payment Systems, L P.*—In October 2015, we sold our investment in First American Payment Systems, L.P. for net proceeds of $4.0 million, which resulted in a realized loss of $0.2 million.

- *Funko, LLC*—In October 2015, we sold our investment in Funko, LLC (“Funko”) for net proceeds of $27.1 million, which resulted in a realized gain of $16.6 million and a small remaining equity investment.
- *Heartland Communications Group*—In October 2015, we exited our investment in Heartland Communications Group (“Heartland”) for net proceeds of $1.5 million, which resulted in a realized loss of $2.7 million. Heartland had been on non-accrual status at the time of the sale.

Recent Developments

Common Stock Offering

In October 2015, we completed a public offering of 2.0 million shares of our common stock. Gross proceeds totaled $17.1 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were approximately $16.0 million. In November, 2015, the underwriters fully exercised their overallotment option to purchase 300,000 additional shares of our common stock, resulting in net proceeds, after deducting underwriting discounts and offering costs borne by us, of approximately $2.4 million

Base Management Fee

In October 2015, we amended our existing advisory agreement with the Adviser, to reduce the base management fee under the agreement from 2.0% per annum (0.5% per quarter) of average total assets (excluding cash or equivalents) to 1.75% per annum (0.4375% per quarter) effective July 1, 2015. All other terms of the advisory agreement remained unchanged. The amendment was approved unanimously by our Board of Directors.

At-the-Market Program

In February 2015, we entered into equity distribution agreements (commonly referred to as “at-the-market agreements” or our “Sales Agreements”) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a “Sales Agent,” under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock of which we have $48.8 million of availability remaining as of September 30, 2015. During the twelve months ended September 30, 2015, we sold an aggregate of 131,462 shares of our common stock for gross proceeds of $1.2 million. No shares of common stock have been sold under these Sales Agreements subsequent to September 30, 2015. The offering of our shares of common stock pursuant to the Sales Agreements will terminate upon the earlier of (i) the sale of all common stock subject to the Sales Agreements or (ii) the termination of the Sales Agreements in accordance with their terms. Each Sales Agreement may be terminated by us in our sole discretion under the circumstances specified in the Sales Agreement by giving five days-notice to the applicable Sales Agent. In addition, each Sales Agent may terminate its Sales Agreement under the circumstances specified in such Sales Agreement by giving five days’ notice to the Company.

Table of Contents

RESULTS OF OPERATIONS

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

	For the Year Ended September 30,			
	2015	**2014**	**$ Change**	**%Change**
INVESTMENT INCOME				
Interest income	**$ 34,895**	$ 32,170	$ 2,725	8.5%
Other income	**3,163**	4,415	(1,252)	(28.4)
Total investment income	**38,058**	36,585	1,473	4.0
EXPENSES				
Base management fee	**6,888**	5,864	1,024	17.5
Loan servicing fee	**3,816**	3,503	313	8.9
Incentive fee	**4,083**	4,297	(214)	(5.0)
Administration fee	**1,033**	853	180	21.1
Interest expense on borrowings	**3,828**	2,628	1,200	45.7
Dividend expense on mandatorily redeemable preferred stock	**4,116**	3,338	778	23.3
Amortization of deferred financing fees	**1,106**	1,247	(141)	(11.3)
Other expenses	**2,188**	2,084	104	5.0
Expenses, before credits from Adviser	**27,058**	23,814	3,244	13.6
Credit to base management fee—loan servicing fee	**(3,816)**	(3,503)	(313)	(8.9)
Credit to fees from Adviser—other	**(2,884)**	(2,094)	(790)	(37.7)
Total expenses, net of credits	**20,358**	18,217	2,141	11.8
NET INVESTMENT INCOME	**17,700**	18,368	(668)	(3.6)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized loss on investments and escrows	**(34,176)**	(12,113)	(22,063)	(182.1)
Net realized loss on extinguishment of debt	**—**	(1,297)	1,297	NM
Net unrealized appreciation of investments	**23,647**	7,389	16,258	220.0
Net unrealized depreciation (appreciation) of other	**1,313**	(1,114)	2,427	217.9
Net loss from investments, escrows and other	**(9,216)**	(7,135)	(2,081)	(29.2)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 8,484**	$ 11,233	$ (2,749)	(24.5)
PER BASIC AND DILUTED COMMON SHARE				
Net investment income	**$ 0.84**	$ 0.87	$ (0.03)	(25.2)
Net increase in net assets resulting from operations	**$ 0.40**	$ 0.53	$ (0.13)	(3.4)

NM = Not Meaningful

Investment Income

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

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

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

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

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

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

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

(A) - New investment during applicable period.

Expenses

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

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

The increase of $0.8 million, or 23.3%, in dividend expense on our mandatorily redeemable preferred stock during the year ended September 30, 2015, as compared to the prior year, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014, and which was partially offset by the voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014. Refer to *"Liquidity and Capital Resources—Equity—Term Preferred Stock"* for further discussion of our term preferred stock.

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

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

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statement of Operations* located elsewhere in this prospectus.

Realized Loss and Unrealized Appreciation

Net Realized Loss on Investments and Escrows

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

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

Table of Contents

Net Unrealized Appreciation of Investments

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

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

	Year Ended September 30, 2015			
Portfolio Company	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Funko, LLC	$ —	$ 11,451	$ —	$ 11,451
Sunburst Media—Louisiana, LLC	(1,333)	2,130	2,295	3,092
Precision Acquisition Group Holdings, Inc.	—	2,831	—	2,831
Sunshine Media Holdings	—	1,861	—	1,861
Heartland Communications Group	—	1,123	—	1,123
Behrens Manufacturing, LLC	—	1,102	—	1,102
Ameriqual Group, LLC	—	1,063	—	1,063
Westland Technologies, Inc.	—	899	—	899
Midwest Metal Distribution, Inc.	(14,980)	—	15,578	598
Ashland Acquisitions, LLC	—	571	—	571
AG Transportation Holdings, LLC	—	516	—	516
New Trident Holdcorp, Inc.	—	(282)	—	(282)
Vertellus Specialties Inc.	—	(315)	—	(315)
LWO Acquisitions	—	(390)	—	(390)
SourceHOV LLC	—	(473)	—	(473)
FedCap Partners, LLC	—	(507)	—	(507)
North American Aircraft Services, LLC	1,578	—	(2,216)	(638)
WadeCo. Specialties, Inc.	—	(818)	—	(818)
Alloy Die Casting	—	(1,251)	—	(1,251)
Targus Group International, Inc.	—	(1,254)	—	(1,254)
Meridian Rack & Pinion, Inc.	—	(1,647)	—	(1,647)
B+T Group Acquisition Inc.	—	(1,934)	—	(1,934)
Francis Drilling Fluids, Ltd.	—	(2,575)	—	(2,575)
PLATO Learning, Inc.	—	(2,663)	—	(2,663)
Edge Adhesives Holdings, Inc.	—	(3,196)	6	(3,190)
Saunders & Associates	(8,884)	(3,255)	8,680	(3,459)
GFRC Holdings, LLC	(10,797)	(5,308)	10,483	(5,622)
RBC Acquisition Corp.	—	(7,647)	—	(7,647)
Other, net (<$250)	240	(985)	(226)	(971)
Total:	**$ (34,176)**	**$ (10,953)**	**$ 34,600**	**$(10,529)**

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

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

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

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

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

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

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

Net Unrealized (Appreciation) Depreciation of Other

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

Table of Contents

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

	For the Year Ended September 30,			
	2014	**2013**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 32,170**	$33,533	$ (1,363)	(4.1)%
Other income	**4,415**	2,621	1,794	68.4
Total investment income	**36,585**	36,154	431	1.2
EXPENSES				
Base management fee	**5,864**	5,622	242	4.3
Loan servicing fee	**3,503**	3,656	(153)	(4.2)
Incentive fee	**4,297**	4,343	(46)	(1.1)
Administration fee	**853**	647	206	31.8
Interest expense on borrowings	**2,628**	3,182	(554)	(17.4)
Dividend expense on mandatorily redeemable preferred stock	**3,338**	2,744	594	21.6
Amortization of deferred financing fees	**1,247**	1,211	36	3.0
Other expenses	**2,084**	1,540	544	35.3
Expenses, before credits from Adviser	**23,814**	22,945	869	3.8
Credit to base management fee—loan servicing fee	**(3,503)**	(3,656)	153	4.2
Credit to fees from Adviser—other	**(2,094)**	(1,521)	(573)	(37.7)
Total expenses, net of credits	**18,217**	17,768	449	2.5
NET INVESTMENT INCOME	**18,368**	18,386	(18)	(0.1)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized loss on investments and escrows	**(12,113)**	(5,231)	(6,882)	(131.6)
Net realized loss on extinguishment of debt	**(1,297)**	—	(1,297)	(100.0)
Net unrealized appreciation of investments	**7,389**	15,673	(8,284)	(52.9)
Net unrealized (appreciation) depreciation of other	**(1,114)**	3,391	(4,505)	NM
Net (loss) gain from investments, escrows and other	**(7,135)**	13,833	(20,968)	NM
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 11,233**	$32,219	$(20,986)	(65.1)
PER BASIC AND DILUTED COMMON SHARE				
Net investment income	**$ 0.87**	$ 0.88	$ (0.01)	(1.1)
Net increase in net assets resulting from operations	**$ 0.53**	$ 1.53	$ (1.00)	(65.4)

NM = Not Meaningful

Investment Income

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

As of September 30, 2014, three portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio. As of September 30, 2013, two portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately $39.5 million, or 12.6%, of the cost basis of all debt investments in our portfolio. Effective January 1, 2014, we placed Heartland on non-accrual status and effective June 1, 2014 we placed Midwest Metal on non-accrual status. During the year ended September 30, 2014, we sold our investment in LocalTel that had been on non-accrual status. During the year ended September 30, 2013, we sold our investments in three portfolio companies that had been on non-accrual status and wrote off our investment in one portfolio company that had been on non-accrual status. There were no other new non-accruals added and no non-accruals were placed on accrual during the years ended September 30, 2014 and 2013.

Other income for the year ended September 30, 2014, consisted primarily of $0.7 million in dividend income received from FedCap, $0.5 million in success fees received related to the early payoff of Thibaut at par, $0.4 million in legal settlement proceeds received related to a portfolio company previously sold, $0.8 million in aggregate of prepaid success fees, dividend income and other fees received from FDF, $0.1 million in prepayment fees received from POP, an aggregate of $0.3 million in prepayment fees from the early payoff of five syndicate investments at par and $1.4 million in success fees received related to our sale of substantially all of the assets of Lindmark and the ensuing pay down of our debt investments in Lindmark at par in September 2013. For the year ended September 30, 2013, other income consisted primarily of $1.1 million in success fees received related to the early payoff of Westlake Hardware, Inc. (“Westlake”) at par, $0.6 million in success fees related to the early payoff of CMI Acquisition, LLC (“CMI”) at par and an aggregate of $0.9 million in prepayment fees from the early payoffs of eight of our syndicate investments at par during the prior year.

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

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

Portfolio Company	As of September 30, 2013 Fair Value	% of Portfolio	Year Ended September 30, 2013 Investment Income	% of Total Investment Income
RBC Acquisition Corp.	$ 30,991	12.1%	$ 2,416	6.7%
Allen Edmonds Shoe Corporation(A)	19,604	7.6	1,717	4.8
Midwest Metal Distribution, Inc.	17,733	6.9	2,240	6.2
Francis Drilling Fluids, Ltd.	14,667	5.7	1,977	5.4
AG Transportation Holdings, LLC(A)	12,984	5.1	1,407	3.9
Subtotal—five largest investments	**95,979**	**37.4**	**9,757**	**27.0**
Other portfolio companies	160,899	62.6	26,265	72.6
Other non-portfolio company income	—	—	132	0.4
Total Investment Portfolio	**$256,878**	**100.0%**	**$ 36,154**	**100.0%**

(A) New investment during applicable year.

Expenses

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

The increase of $0.6 million in dividend expense on our mandatorily redeemable preferred stock during the year ended September 30, 2014, as compared to the prior year, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014 and voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014, (resulting in more shares of our Series 2021 Term Preferred Stock being issued and outstanding, partially offset by a lower rate on the new issuance). Refer to "*Liquidity and Capital Resources—Equity—Term Preferred Stock*" for further discussion of our mandatorily redeemable preferred stock.

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

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

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

	Year Ended September 30,	
	2014	**2013**
Average total assets subject to base management fee(A)	**$ 293,200**	$ 281,100
Multiplied by annual base management fee of 2.0%	**2.0%**	2.0%
Base management fee(B)	**5,864**	5,622
Portfolio fee credit	**(797)**	(324)
Senior syndicated loan fee credit	**(117)**	(183)
Net Base Management Fee	**$ 4,950**	$ 5,115
Loan servicing fee(B)	**$ 3,503**	$ 3,656
Credit to base management fee—loan servicing fee(B)	**(3,503)**	(3,656)
Net Loan Servicing Fee	**$ —**	$ —
Incentive fee(B)	**$ 4,297**	$ 4,343
Incentive fee credit	**(1,180)**	(1,014)
Net Incentive Fee	**$ 3,117**	$ 3,329
Portfolio fee credit	**$ (797)**	$ (324)
Senior syndicated loan fee credit	**(117)**	(183)
Incentive fee credit	**(1,180)**	(1,014)
Credit to Fees from Adviser—Other(B)	**$ (2,094)**	$ (1,521)

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Consolidated Statement of Operations* located elsewhere in this prospectus.

Interest expense on our Credit Facility decreased by $0.6 million for the year ended September 30, 2014, as compared to the prior year, due primarily to decreased borrowings under our Credit Facility, resulting primarily from the repayments made from proceeds on the Series 2021 Term Preferred Stock offering in May 2014. The weighted average balance outstanding on our Credit Facility decreased year over year from $53.2 million as of September 30, 2013 to $41.9 million as of September 30, 2014, a decrease of 21.2%. Additionally, the decrease in interest expense for the year ended September 30, 2014, as compared to the prior year, was due to the January 2013 amendment of our Credit Facility to remove the LIBOR minimum of 1.5% on advances.

Realized Loss and Unrealized Appreciation

Net Realized Loss on Investments and Escrows

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

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

Realized Loss on Extinguishment of Debt

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

Net Unrealized Appreciation of Investments

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

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

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

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

During the year ended September 30, 2013, we recorded net unrealized appreciation of investments in the aggregate amount of $15.7 million, which included the reversal of an aggregate of $26.0 million in unrealized depreciation primarily related to the repayment of principal in full at par on Lindmark, the sales of Viapack and KCH, and the write off of Access TV. Excluding reversals, we recorded $10.4 million in net unrealized depreciation for the year ended September 30, 2013. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the year ended September 30, 2013, consisted of approximately $5.3 million of depreciation on our debt investments and approximately $5.1 million of depreciation on our equity investments.

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

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

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

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

Net Unrealized (Appreciation) Depreciation of Other

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

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash used by operating activities for the year ended September 30, 2015, was $74.5 million as compared to net cash provided by operating activities of $0.5 million for the year ended September 30, 2014. The increase in cash used by operating activities was primarily due to the increase in purchases of investments and a decrease in repayments on investments during the year ended September 30, 2015. For the year ended September 30, 2013, net cash provided by operating activities was $32.1 million, which was primarily driven by principal repayments and net proceeds from sales of investments during fiscal year 2013.

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

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

	Year Ended September 30,	
	2015	**2014**
Beginning investment portfolio, at fair value	**$ 281,286**	$ 256,878
New investments	**102,299**	81,731
Disbursements to existing portfolio companies	**33,824**	20,314
Scheduled principal repayments	**(1,182)**	(2,802)
Unscheduled principal repayments	**(12,559)**	(65,058)
Net proceeds from sales of investments	**(28,602)**	(4,700)
Net unrealized depreciation of investments	**(10,953)**	(10,587)
Reversal of prior period net depreciation of investments on realization	**34,600**	17,976
Net realized loss on investments	**(33,666)**	(12,163)
Increase in investment balance due to PIK interest(A)	**665**	288
Cost adjustments on non-accrual loans	**328**	(717)
Net change in premiums, discounts and amortization	**(149)**	126
Ending Investment Portfolio, at Fair Value	**$ 365,891**	$ 281,286

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

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

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

Financing Activities

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

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

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

Distributions to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, our Credit Facility has a covenant that generally restricts the amount of distributions to stockholders that we can pay out to be no greater than our aggregate net investment income and capital gains in each fiscal year. In accordance with these requirements, we paid monthly cash distributions of $0.07 per common share for each month during the years ended September 30, 2015, 2014 and 2013, which totaled an aggregate of $17.7 million, $17.6 million and $17.6 million, respectively. In October 2015, our Board of Directors declared a monthly distribution of $0.07 per common share for each of October, November and December 2015. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2016.

From inception through September 30, 2015, we have paid 153 either monthly or quarterly consecutive distributions to common stockholders totaling approximately $256.8 million or $15.31 per share.

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

Preferred Stock Dividends

We paid monthly cash dividends of $0.140625 per share of our Series 2021 Term Preferred Stock for each month during the year ended September 30, 2015, which totaled an aggregate of $4.1 million. During the year ended September 30, 2015 we paid monthly cash dividends of $0.1484375 per share of our Series 2021 Term Preferred Stock for each of the nine months from October 2013 through May 2014, which totaled an aggregate of $2.3 million. In May 2014, our Board of Directors declared, and we paid, a combined May and June 2014 cash distribution of $0.1968750 per share of our Series 2021 Term Preferred Stock. This covered a prorated portion of May 2014 from the time the stock was issued and outstanding and the full month of June 2014. We paid a monthly dividend of $0.140625 per share of Series 2021 Term Preferred Stock for each of July, August and September 2014. In October 2015, our Board of Directors declared a monthly dividend of $0.140625 per share of Series 2021 Term Preferred Stock for each of October, November and December 2015.

For federal income tax purposes, dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits and have been characterized as ordinary income to our preferred stockholders since our Series 2016 Term Preferred Stock was issued in November 2011 and we anticipate the same characterization for our Series 2021 Term Preferred Stock, issued in May 2014.

Equity

Registration Statement

We filed Post-effective Amendment No. 4 to our universal shelf registration statement (our “Registration Statement”) on Form N-2 (File No. 333-185191) with the SEC on December 1, 2014, and subsequently filed Post-effective Amendment No. 5 to our Registration Statement on January 29, 2015, which the SEC declared effective January 30, 2015. Our Registration Statement registered an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of September 30, 2015, we had the ability to issue up to $237.8 million in securities under our Registration Statement through one or more transactions.

We sold an aggregate of 131,462 shares, or $1.2 million in gross proceeds, of our common stock under the Sales Agreements during the year ended September 30, 2015. In addition on October 27, 2015 we sold 2.3 million shares, or $19.7 million in gross proceeds, inclusive of the overallotment, which occurred in November 2015—both discussed in more detail below.

Common Stock

Pursuant to our Registration Statement, on October 27, 2015, we completed a public offering of 2.0 million shares of our common stock at a public offering price of $8.55 per share. Gross proceeds totaled $17.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $16.0 million, which was used to repay borrowings under our Credit Facility. In connection with the offering, in November 2015, the underwriters exercised their option to purchase an additional 300,000 shares at the public offering price to cover over-allotments, which resulted in gross proceeds of $2.6 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $2.4 million.

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

At our Annual Meeting of Stockholders held on February 12, 2015, our stockholders approved a proposal authorizing us to sell shares of our common stock at a price below our then current NAV per share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale. At the upcoming annual stockholders meeting scheduled for February 11, 2016, our stockholders will again be asked to vote in favor of renewing this proposal for another year.

On February 27, 2015, we entered into the Sales Agreements (commonly referred to as “at-the-market agreements”) under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock. During the year ended September 2015, we sold an aggregate of 131,462 shares of our common stock for $1.0 million, net of underwriter’s commissions and other offering expenses borne by us, under the Sales Agreements. The remaining availability under our Sales Agreements is approximately $48.8 million.

Term Preferred Stock

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

Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term

Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the "Redemption Price"). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage ratio of at least 200.0% on our "senior securities that are stock" and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price at any time on or after June 30, 2017.

The asset coverage on our "senior securities that are stock" as of September 30, 2015 was 199.3%. However, we were not required to redeem any shares of our Series 2021 Term Preferred Stock because, pursuant to the 1940 Act, on the date that we were required to measure the asset coverage on our "senior securities that are stock," (October 13, 2015), which was when our Board of Directors declared a distribution on our common stock and mandatorily redeemable preferred stock dividends, the asset coverage on our "senior securities that are stock" was 202.6%. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of September 30, 2015, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of September 30, 2015, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

Pursuant to our prior registration statement, in November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock at a public offering price of $25.00 per share and a 7.125% rate. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. Our Series 2016 Term Preferred Stock provided for a fixed dividend rate equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year).

Revolving Credit Facility

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

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

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders' consents. Our Credit Facility generally limits distributions to our stockholders on a fiscal year basis to the sum of our net investment income, net capital gains and amounts deemed to have been paid during the prior year in accordance with Section 855(a) of the Code. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $205.0 million as of September 30, 2015, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 200.0%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of September 30, 2015, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $252.4 million, asset coverage on our "senior securities representing indebtedness" of 294.6% and an active status as a BDC and RIC. In addition, we had 36 obligors in our Credit Facility's borrowing base as of September 30, 2015. As of September 30, 2015 we were in compliance with all of our Credit Facility covenants.

Off-Balance Sheet Arrangements

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. As of September 30, 2015 and 2014, our unused line of credit commitments totaled $14.7 million and $5.9 million, at cost, respectively.

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

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

Contractual Obligations

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

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

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

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

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

Critical Accounting Policies

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

Investment Valuation

Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate from period to period.

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

Credit Monitoring and Risk Rating

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

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate our equity securities. For syndicated loans that have been rated by a Nationally Recognized Statistical Rating Organization ("NRSRO") (as defined in Rule 2a-7 under the 1940 Act), the Adviser generally uses the average of two corporate level NRSRO's risk ratings for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser's risk rating system will provide the same risk rating as an NRSRO for these securities. The Adviser's risk rating system is used to estimate the probability of default on debt securities and the expected loss if there is a default. The Adviser's risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. It is the Adviser's understanding that most debt securities of medium-sized companies do not exceed the grade of BBB on an NRSRO scale, so there would be no debt securities in the middle market that would meet the definition of AAA, AA or A. Therefore, the Adviser's scale begins with the designation >10 as the best risk rating which may be equivalent to a BBB from an NRSRO; however, no assurance can be given that a >10 on the Adviser's scale is equal to a BBB or Baa2 on an NRSRO scale. The Adviser's risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold. During the quarter ended June 30, 2014, we modified our risk rating model to incorporate additional factors in our qualitative and quantitative analysis. While the overall process did not change, we believe the additional factors enhance the quality of the risk ratings of our investments. No adjustments were made to prior periods as a result of this modification.

The following table reflects risk ratings for all proprietary loans in our portfolio at September 30, 2015 and 2014, representing approximately 84.1% and 80.8%, respectively, of the principal balance of all debt investments in our portfolio at the end of each fiscal year:

	As of September 30,	
Rating	**2015**	**2014**
Highest	**8.0**	9.0
Average	**5.9**	5.9
Weighted Average	**6.0**	5.2
Lowest	**4.0**	2.0

The following table reflects the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO at September 30, 2015 and 2014, representing approximately 10.8% and 16.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each fiscal year:

	As of September 30,	
Rating	**2015**	**2014**
Highest	**6.0**	**6.0**
Average	**4.8**	**4.6**
Weighted Average	**4.9**	**4.8**
Lowest	**3.0**	**3.5**

The following table reflects the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO at September 30, 2015 and 2014, representing approximately 5.1% and 2.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each fiscal year:

	As of September 30,	
Rating	**2015**	**2014**
Highest	**6.0**	**4.0**
Average	**4.8**	**4.0**
Weighted Average	**4.3**	**4.0**
Lowest	**3.0**	**4.0**

Tax Status

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes and also to limit certain federal excise taxes imposed on RICs. Refer to Note 10—*Federal and State Income Taxes* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus for additional information regarding our tax status.

Revenue Recognition

Interest Income Recognition

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

Other Income Recognition

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

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

Recent Accounting Pronouncements

Refer to Note 2—*Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus for a description and our application of recent accounting pronouncements. We are currently assessing whether additional disclosure requirements will be necessary in future periods and anticipate no impact from adoption of recent accounting pronouncements on our financial position or results of operations.

Quantitative and Qualitative Disclosures About Market Risk (Dollar Amounts in Thousands, Unless Otherwise Indicated)

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

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

We target to have approximately 10.0% of the loans in our portfolio at fixed rates, with approximately 90.0% made at variable rates or variable rates with a floor. All of our variable-rate loans have rates generally associated with either the current LIBOR or prime rate. As of September 30, 2015, our portfolio consisted of the following:

84.1%	Variable rates with a LIBOR or prime rate floor
15.9	Fixed rates
100.0%	total

Pursuant to the terms under our Credit Facility, in July 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our Credit Facility. This agreement will entitle us to receive payments, if any, equal to the amount by which interest payments on the current notional amount at the one month LIBOR exceed the payments on the current notional amount at 5.0%. The agreement therefore helps mitigate our exposure to increases in interest rates on our borrowings on our Credit Facility, which are at variable rates. As of September 30, 2015 and September 30, 2014, our interest rate cap agreement had a fair value of $0.

To illustrate the potential impact of changes in market interest rates on our net increase in net assets resulting from operations, we have performed the following hypothetical analysis, which assumes that our balance sheet and contractual interest rates remain constant as of September 30, 2015 and no further actions are taken to alter our existing interest rate sensitivity.

Basis Point Change(A)	Increase in Interest Income	Increase (Decrease) in Interest Expense	Net (Decrease) Increase in Net Assets Resulting from Operations
Up 300 basis points	$ 2,520	$ 3,819	$ (1,299)
Up 200 basis points	1,005	2,546	(1,541)
Up 100 basis points	350	1,273	(923)
Down 20 basis points	—	(253)	253

(A) As of September 30, 2015, our effective average LIBOR was 0.20%, therefore, the largest decrease in basis points that could occur was 15 basis points.

Although management believes that this analysis is indicative of our existing interest rate sensitivity, it does not adjust for potential changes in credit quality, size and composition of our loan portfolio on the balance sheet and other business developments that could affect net increase (decrease) in net assets resulting from operations. Accordingly, actual results could differ significantly from those in the hypothetical analysis in the table above.

We may also experience risk associated with investing in securities of companies with foreign operations. Some of our portfolio companies have operations located outside the U.S. These risks include, but are not limited to, fluctuations in foreign currency exchange rates, imposition of foreign taxes, changes in exportation regulations and political and social instability.

SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2015 annual stockholders meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a price below the then current net asset value, or NAV, per common share during a one year period, which we refer to as the Stockholder Approval, beginning on February 12, 2015, and expiring on the first anniversary of such date. We intend to seek similar stockholder approval at our 2016 annual stockholders meeting. To sell shares of common stock pursuant to this authorization, no further authorization from our stockholders will be solicited but the number of common shares issued and sold pursuant to such authority cannot exceed 25% of our then outstanding common stock immediately prior to such sale and a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (i) find that the sale is in our best interests and in the best interests of our stockholders and (ii) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

Any offering of common stock below its NAV per share will be designed to raise capital for investment in accordance with our investment objective.

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

- the effect that an offering below NAV per common share would have on our common stockholders, including the potential dilution they would experience as a result of the offering;
- the amount per common share by which the offering price per share and the net proceeds per share are less than our most recently determined NAV per common share;
- the relationship of recent market prices of common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price would closely approximate the market value of shares of our common stock;
- the potential market impact of being able to raise capital during the current financial market difficulties;
- the nature of any new investors anticipated to acquire shares of our common stock in the offering;
- the anticipated rate of return on and quality, type and availability of investments; and
- the leverage available to us.

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

We will not sell shares of our common stock under this prospectus or an accompanying prospectus supplement pursuant to the Stockholder Approval without first filing a post-effective amendment to the registration statement if the cumulative dilution to our NAV per common share from offerings under the registration statement exceeds 15%. This would be measured separately for each offering pursuant to the registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV per common share at the time of the first offering is $10.00 and we have 140 million shares of common stock outstanding, the sale of 35 million shares of common stock at net proceeds to us of $5.00 per common share (a 50% discount) would produce dilution of 10%. If we subsequently determined that our NAV per common share increased to $11.00 on the then 175 million shares of common stock outstanding and then made an additional offering, we could, for example, sell approximately an additional 43.75 million shares of common stock at net proceeds to us of $8.25 per common share, which would produce dilution of 5%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

Sales by us of our common stock at a discount from NAV per common share pose potential risks for our existing common stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See "*Risk Factors—Risks Related to an Investment in Our Securities*."

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

- existing common stockholders who do not purchase any shares of common stock in the offering;
- existing common stockholders who purchase a relatively small amount of shares of common stock in the offering or a relatively large amount of shares of common stock in the offering; and
- new investors who become common stockholders by purchasing shares of common stock in the offering.

Impact on Existing Common Stockholders Who Do Not Participate in an Offering

An existing common stockholder who does not participate in an offering below NAV per share or who does not buy additional common shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the common shares they hold and their NAV per common share. These common stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These common stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per common share. This decrease could be more pronounced as the size of the offering and level of discounts increase. Further, if current common stockholders do not purchase sufficient shares of common stock to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV, their voting power will be diluted.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating common stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per common share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

The examples assume that we have 1,000,000 common shares outstanding, $15,000,000 in total assets and $5,000,000 in total liabilities. The current NAV and NAV per common share are thus $10,000,000 and $10.00, respectively. The table illustrates the dilutive effect on a nonparticipating common stockholder of (1) an offering of 50,000 shares of common stock (5% of the outstanding common shares) at $9.50 per common share after offering expenses and commission (a 5% discount from NAV), (2) an offering of 100,000 shares of common stock (10% of the outstanding common shares) at $9.00 per common share after offering expenses and commissions (a 10% discount from NAV) and (3) an offering of 250,000 shares of common stock (25% of the outstanding common shares) at $7.50 per common share after offering expenses and commissions (a 25%

discount from NAV). The prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares of common stock in such offering and the actual discount to the most recently determined NAV.

		Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 25% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Common Share to Public	—	$ 10.00	—	$ 9.47	—	$ 7.90	—
Net Proceeds per Common Share to Issuer	—	$ 9.50	—	$ 9.00	—	$ 7.50	—
Decrease to NAV per Common Share							
Total Common Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.50	(5.00)%
Dilution to Common Stockholder							
Common Shares Held by Stockholder	10,000	10,000	—	10,000	—	10,000	—
Percentage Held by Common Stockholder	1.0%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(20.00)%
Total Asset Values							
Total NAV Held by Common Stockholder	$ 100,000	$ 99,800	(0.20)%	$ 99,100	(0.90)%	$ 95,000	(5.00)%
Total Investment by Common Stockholder (Assumed to be $10.00 per Common Share)	$ 100,000	$ 100,000	—	$ 100,000	—	$ 100,000	—
Total Dilution to Common Stockholder (Total NAV Less Total Investment)	—	$ (200)	—	$ (900)	—	$ (5,000)	—
Per Common Share Amounts							
NAV Per Common Share Held by Common Stockholder	—	$ 9.98	—	$ 9.91	—	$ 9.50	—
Investment per Common Share Held by Common Stockholder (Assumed to be $10.00 per Share on Common Shares Held prior to Sale)	$ 10.00	$ 10.00	—	$ 10.00	—	$ 10.00	—
Dilution per Common Share Held by Stockholder (NAV per Common Share Less Investment per Common Share)	—	$ (0.02)	—	$ (0.09)	—	$ (0.50)	—
Percentage Dilution to Common Stockholder (Dilution per Common Share Divided by Investment per Common Share)	—	—	(0.20)%	—	(0.90)%	—	(5.00)%

Impact on Existing Common Stockholders Who Do Participate in an Offering

An existing common stockholder who participates in an offering below NAV per common share or who buys additional shares of common stock in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating common stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our common shares immediately prior to the offering. The level of NAV dilution will decrease as the number of common shares such stockholders purchase increases. Existing common stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing common stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per common share over their investment per common share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such common stockholder purchases increases. Even a common stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such common stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their common shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 25% discount offering from the prior chart for a common stockholder that acquires shares of common stock equal to (1) 50% of its proportionate share of the offering (i.e., 1,250 common shares, which is 0.50% of the offering 250,000 common shares rather than its 1% proportionate share) and (2) 150% of such percentage (i.e., 3,750 common shares, which is 1.50% of an offering of 250,000 common shares rather than its 1% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of common shares in such offering and the actual discount from the most recently determined NAV per common share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation Following Sale	50% Participation % Change	150% Participation Following Sale	150% Participation % Change
Offering Price					
Price per Common Share to Public	—	$ 7.90	—	$ 7.90	—
Net Proceeds per Common Share to Issuer	—	$ 7.50	—	$ 7.50	—
Increases in Common Shares and Decrease to NAV per Common Share					
Total Common Shares Outstanding	1,000,000	1,250,000	25.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.50	(5.00)%	$ 9.50	(5.00)%
Dilution/Accretion to Common Stockholder					
Common Shares Held by Stockholder	10,000	11,250	12.50%	13,750	37.50%
Percentage Held by Common Stockholder	1.0%	0.90%	(10.00)%	1.10%	10.00%
Total Asset Values					
Total NAV Held by Common Stockholder	$ 100,000	$ 106,875	6.88%	$ 130,625	30.63%
Total Investment by Common Stockholder (Assumed to be $10.00 per Share on Common Shares Held prior to Sale)	$ 100,000	$ 109,875	—	$ 129,625	—
Total Dilution/Accretion to Common Stockholder (Total NAV Less Total Investment)	—	(3,000)	—	$ 1,000	—
Per Common Share Amounts					
NAV Per Common Share Held by Common Stockholder	—	$ 9.50	—	$ 9.50	—
Investment per Common Share Held by Stockholder (Assumed to be $10.00 per Share on Common Shares Held prior to Sale)	$ 10.00	$ 9.77	(2.33)%	$ 9.43	(5.73)%
Dilution/Accretion per Common Share Held by Stockholder (NAV per Common Share Less Investment per Common Share)	—	$ (0.27)	—	$ 0.07	—
Percentage Dilution/Accretion to Common Stockholder (Dilution/Accretion per Common Share Divided by Investment per Common Share)	—	—	(2.73)%	—	0.77%

Impact on New Investors in Common Stock

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

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same 5%, 10% and 25% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1%) of the common shares in the offering as the common stockholder in the prior examples held immediately prior to the offering. The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of common shares in such offering and the actual discount from the most recently determined NAV per common share. It is not possible to predict the level of market price decline that may occur.

		Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 25% Discount	
	Prior to Sale Below NAV	**Following Sale**	**% Change**	**Following Sale**	**% Change**	**Following Sale**	**% Change**
Offering Price							
Price per Common Share to Public	—	$ 10.00	—	$ 9.47	—	$ 7.90	—
Net Proceeds per Common Share to Issuer	—	$ 9.50	—	$ 9.00	—	$ 7.50	—
Decrease to NAV per Common Share							
Total Common Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.50	(5.00)%
Dilution/Accretion to Common Stockholder							
Common Shares Held by Stockholder	—	500	—	1,000	—	2,500	—
Percentage Held by Common Stockholder	0.0%	0.05%	—	0.09%	—	0.20%	—
Total Asset Values							
Total NAV Held by Common Stockholder	—	$ 4,990	—	$ 9,910	—	$ 23,750	—
Total Investment by Common Stockholder	—	$ 5,000	—	$ 9,470	—	$ 19,750	—
Total Dilution/Accretion to Common Stockholder (Total NAV Less Total Investment)	—	$ (10)	—	$ 440	—	$ 4,000	—
Per Common Share Amounts							
NAV Per Common Share Held by Common Stockholder	—	$ 9.98	—	$ 9.91	—	$ 9.50	—
Investment per Common Share Held by Common Stockholder	—	$ 10.00	—	$ 9.47	—	$ 7.90	—
Dilution/Accretion per Common Share Held by Stockholder (NAV per Common Share Less Investment per Common Share)	—	$ (0.02)	—	$ 0.44	—	$ 1.60	—
Percentage Dilution/Accretion to Common Stockholder (Dilution/Accretion per Common Share Divided by Investment per Common Share)	—	—	(0.20)%	—	4.65%	—	20.25%

SENIOR SECURITIES

Information about our senior securities is shown in the following table for the audited periods as of September 30, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005. The information has been derived from our audited financial statement for each respective period, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. PricewaterhouseCoopers LLP's report on the senior securities table as of September 31, 2015 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Unit(3)	Average Market Value per Unit(4)
Revolving Credit Facilities				
September 30, 2015	$ 127,300,000	$2,946	$ —	N/A
September 30, 2014	36,700,000	3,054	—	N/A
September 30, 2013	46,900,000	3,410	—	N/A
September 30, 2012	58,800,000	2,963	—	N/A
September 30, 2011	99,400,000	3,150	—	N/A
September 30, 2010	16,800,000	14,187	—	N/A
September 30, 2009	83,000,000	3,963	—	N/A
September 30, 2008	151,030,000	2,792	—	N/A
September 30, 2007	144,440,000	2,524	—	N/A
September 30, 2006	49,993,000	4,435	—	N/A
September 30, 2005	53,034,000	3,849	—	N/A
Series 2016 Term Preferred Stock(5)				
September 30, 2015	$ —	$ N/A	$ —	$ N/A
September 30, 2014	—	$ N/A	$ —	$ N/A
September 30, 2013	38,497,050	3,410	25.00	25.49
September 30, 2012	38,497,050	2,963	25.00	25.55
September 30, 2011	—	N/A	—	N/A
September 30, 2010	—	N/A	—	N/A
September 30, 2009	—	N/A	—	N/A
September 30, 2008	—	N/A	—	N/A
September 30, 2007	—	N/A	—	N/A
September 30, 2006	—	N/A	—	N/A
September 30, 2005	—	N/A	—	N/A
Series 2021 Term Preferred Stock(6)				
September 30, 2015	$ 61,000,000	$1,993	$ 25.00	$ 25.02
September 30, 2014	61,000,000	3,054	25.00	24.45
September 30, 2013	—	N/A	—	N/A
September 30, 2012	—	N/A	—	N/A
September 30, 2011	—	N/A	—	N/A
September 30, 2010	—	N/A	—	N/A
September 30, 2009	—	N/A	—	N/A
September 30, 2008	—	N/A	—	N/A
September 30, 2007	—	N/A	—	N/A
September 30, 2006	—	N/A	—	N/A
September 30, 2005	—	N/A	—	N/A
Repurchase Agreements				
September 30, 2015	$ —	N/A	$ —	N/A
September 30, 2014	—	N/A	—	N/A
September 30, 2013	—	N/A	—	N/A
September 30, 2012	—	N/A	—	N/A
September 30, 2011	—	N/A	—	N/A
September 30, 2010	—	N/A	—	N/A
September 30, 2009	—	N/A	—	N/A
September 30, 2008	—	N/A	—	N/A
September 30, 2007	—	N/A	—	N/A
September 30, 2006	—	N/A	—	N/A
September 30, 2005	—	N/A	—	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage ratio for a class of our “senior securities representing indebtedness” means the ratio of the value of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of “senior securities representing indebtedness” and asset coverage ratio for a class of our “senior securities that are stock” means the ratio of the value of our total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of “senior securities representing indebtedness” plus the aggregate involuntary liquidation preference of a class of “senior security that is stock.” Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) All senior securities (with the exception of our Series 2021 Term Preferred Stock) are not registered for public trading. Average market value per unit is the average of the last ten days closing prices on the NASDAQ.

(5) In November 2011, we issued 1,539,882 shares of Series 2016 Term Preferred Stock through a public offering and subsequent exercise of an overallotment option. In May 2014, we voluntarily redeemed all outstanding shares of our Series 2016 Term Preferred Stock and therefore had no Series 2016 Term Preferred Stock outstanding at September 30, 2015.

(6) In May 2014, we issued 2,440,000 shares of Series 2021 Term Preferred Stock through a public offering and subsequent exercise of an overallotment option. In addition to other redemption provisions discussed more fully in Note 6 *Mandatorily Redeemable Preferred Stock* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus, we may be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, if we fail to maintain an asset coverage ratio of at least 200.0% on our “senior securities that are stock” and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. Although the asset coverage on our “senior securities that are stock” was 199.3% as of September 30, 2015, we did not redeem, nor were we required to redeem any shares of our Series 2021 Preferred Stock because, pursuant to the 1940 Act, on the next date that we were required to measure the asset coverage on our “senior securities that are stock,” (October 13, 2015), which was when our Board of Directors declared a distribution on our common stock and mandatorily redeemable preferred stock dividends, the asset coverage on our “senior securities that are stock” was 202.6%. As of September 30, 2015, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

BUSINESS

Overview

Organization

We were incorporated under the Maryland General Corporation Law on May 30, 2001, and completed our initial public offering on August 24, 2001. We operate as an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). For federal income tax purposes, we have elected to be treated as a regulated investment company ("RIC") under the Subchapter M of the Internal Revenue Code of 1986, as amended (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.

Our shares of common stock and term preferred stock are traded on the NASDAQ Global Select Market ("NASDAQ") under the trading symbols "GLAD" and "GLADO," respectively.

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S."). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of approximately 90.0% in debt investments and 10.0% in equity investments, at cost. As of September 30, 2015, our investment portfolio was made up of approximately 91.2% in debt investments and 8.8% in equity investments, at cost.

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

In July 2012, the Securities and Exchange Commission ("SEC") granted us an exemptive order that expands 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 believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

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

As of September 30, 2015, our investment portfolio consisted of investments in 48 companies located in 20 states in 20 different industries with an aggregate fair value of $365.9 million. Since our initial public offering in 2001 through September 30, 2015, we have invested in over 196 different companies, while making 153 consecutive monthly or quarterly cash distributions to common stockholders totaling approximately $258.3 million or $15.37 per share. We expect that our investment portfolio will primarily include the following four categories of investments in private U.S. companies:

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

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

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

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

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% 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 30.0% of our assets in other non-qualifying assets. See "*Regulation as a Business Development Company—Qualifying Assets*" for a discussion of the types of qualifying assets in which we are permitted to invest pursuant to Section 55(a) of the 1940 Act.

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

Investment Concentrations

Year over year, our investment concentration as a percentage of fair value and of cost has remained relatively unchanged. As of September 30, 2015, our portfolio allocation is approximately 91.2% debt investments and 8.8% equity investments, at cost. Our portfolio consists primarily of proprietary investments, however, we continue to invest in syndicated investments where we participate with a group of other lenders. As of September 30, 2015, we held 15 syndicated investments totaling $61.4 million at cost and $55.0 million at fair value, or 15.0% of our total aggregate portfolio at cost and at fair value, respectively. We held 16 syndicated investments totaling $61.1 million at cost and $59.5 million at fair value, or 17.5% and 21.1%, of our total aggregate portfolio at cost and at fair value, respectively, as of September 30, 2014.

The following table outlines our investments by security type at September 30, 2015 and 2014:

	September 30, 2015				September 30, 2014			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$ 248,050**	**60.5%**	**$ 206,840**	**56.5%**	$ 182,086	52.1%	$ 129,750	46.1%
Secured second lien debt	**125,875**	**30.7**	**120,303**	**32.9**	137,719	39.5	124,551	44.3
Total debt investments	**373,925**	**91.2**	**327,143**	**89.4**	319,805	91.6	254,301	90.4
Preferred equity	**22,616**	**5.5**	**22,262**	**6.1**	21,936	6.2	13,684	4.9
Common equity/ equivalents	**13,703**	**3.3**	**16,486**	**4.5**	7,544	2.2	13,301	4.7
Total equity investments	**36,319**	**8.8**	**38,748**	**10.6**	29,480	8.4	26,985	9.6
Total Investments	**$ 410,244**	**100.0%**	**$ 365,891**	**100.0%**	$ 349,285	100.0%	$ 281,286	100.0%

Our five largest investments at fair value as of September 30, 2015, totaled $109.6 million, or 30.0% of our total aggregate portfolio, as compared to our five largest investments at fair value as of September 30, 2014, totaling $94.3 million, or 33.5% of our total aggregate portfolio.

Our investments at fair value consisted of the following industry classifications at September 30, 2015 and 2014:

	September 30, 2015		September 30, 2014	
Industry Classification	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/conglomerate manufacturing	**$ 56,504**	**15.4%**	$ 27,634	9.8%
Oil and gas	**51,110**	**14.0**	42,831	15.2
Healthcare, education and childcare	**44,994**	**12.3**	47,538	16.9
Personal and non-durable consumer products	**43,418**	**11.9**	30,157	10.7
Printing and publishing	**25,452**	**7.0**	23,999	8.5
Beverage, food and tobacco	**22,817**	**6.2**	6,235	2.2
Automobile	**17,699**	**4.8**	19,489	6.9
Diversified natural resources, precious metals and minerals	**16,072**	**4.4**	7,176	2.6
Diversified/Conglomerate Service	**13,763**	**3.8**	—	—
Electronics	**13,550**	**3.7**	24,811	8.8
Cargo Transportation	**13,434**	**3.7**	12,838	4.6
Leisure, Amusement, Motion Pictures, Entertainment	**8,500**	**2.3**	—	—
Finance	**8,356**	**2.3**	4,205	1.5
Textiles and leather	**6,911**	**1.9**	8,171	2.9
Broadcast and entertainment	**5,235**	**1.4**	6,386	2.3
Buildings and real estate	**2,385**	**0.7**	6,617	2.4
Aerospace and defense	**1,647**	**0.4**	6,920	2.5
Other, < 2.0%	**14,044**	**3.8**	6,279	2.2
Total Investments	**$365,891**	**100.0%**	$281,286	100.0%

Our investments at fair value were included in the following U.S. geographic regions at September 30, 2015 and 2014:

	September 30, 2015		September 30, 2014	
Geographic Region	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Midwest	**$124,924**	**34.1%**	$107,387	38.2%
South	**117,367**	**32.1**	92,355	32.8
West	**112,575**	**30.8**	80,744	28.7
Northeast	**11,025**	**3.0**	800	0.3
Total Investments	**$365,891**	**100.0%**	$281,286	100.0%

The geographic region indicates the location of the headquarters of our portfolio companies. A portfolio company may have a number of other business locations in other geographic regions.

Investment Adviser and Administrator

Gladstone Management Corporation (the "Adviser") is our affiliate, investment adviser and a privately-held company led by a management team that has extensive experience in our lines of business. Another of our and the Adviser's affiliates, a privately-held company, Gladstone Administration, LLC (the "Administrator"), employs, among others, our chief financial officer and treasurer, chief compliance officer, chief valuation officer, general counsel and secretary (who also serves as our Administrator's president) and their respective staffs. Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the following of our affiliates: Gladstone Commercial Corporation ("Gladstone Commercial"), a publicly traded real estate investment trust; Gladstone Investment Corporation ("Gladstone Investment"), a publicly traded BDC and RIC; Gladstone Land Corporation ("Gladstone Land"), a publicly traded real estate investment trust that invests in farmland and farm related property; the Adviser; and the Administrator. Our chief financial officer and treasurer is also the chief accounting officer of the Adviser and acting principal financial officer of Gladstone Investment through December 2015. Our president is also an executive managing director of the Adviser. David Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, LLC ("Gladstone Securities"), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and insured by the Securities Investor Protection Corporation.

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

We have been externally managed by the Adviser pursuant to an investment advisory and management agreement since October 1, 2004. The investment advisory and management agreement originally included administrative services; however, it was amended and restated on October 1, 2006 and at that time we entered into an administration agreement with the Administrator to provide such services. The 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 Process

Overview of Investment and Approval Process

To originate investments, the Adviser's investment professionals use an extensive referral network comprised primarily of private equity sponsors, venture capitalists, leveraged buyout funds, investment bankers, attorneys, accountants, commercial bankers and business brokers. The Adviser's investment professionals review information received from these and other sources in search of potential financing opportunities. If a potential opportunity matches our investment objectives, the investment professionals will seek an initial screening of the opportunity with our president, Robert L. Marcotte, to authorize the submission of an indication of interest ("IOI") to the prospective portfolio company. If the prospective portfolio company passes this initial screening and the IOI is accepted by the prospective company, the investment professionals will seek approval to issue a letter of intent ("LOI") from the Adviser's investment committee, which is composed of Mr. Gladstone (our chairman and chief executive officer), Terry Lee Brubaker (our vice chairman and chief operating officer) and Mr. Marcotte, to the prospective company. If this LOI is issued, then the Adviser and Gladstone Securities (the "Due Diligence Team") will conduct a due diligence investigation and create a detailed profile summarizing the prospective portfolio company's historical financial statements, industry, competitive position and management team and analyzing its conformity to our general investment criteria. The investment professionals then present this profile to the Adviser's investment committee, which must approve each investment. Further, each investment is available for review by the members of our board of directors (our "Board of Directors"), a majority of whom are not "interested persons" as defined in Section 2(a)(19) of the 1940 Act.

Prospective Portfolio Company Characteristics

We have identified certain characteristics that we believe are important in identifying and investing in prospective portfolio companies. The criteria listed below provide general guidelines for our investment decisions, although not all of these criteria may be met by each portfolio company.

- *Value-and-Income Orientation and Positive Cash Flow.* Our investment philosophy places a premium on fundamental analysis from an investor's perspective and has a distinct value-and-income orientation. In seeking value, we focus on established companies in which we can invest at relatively low multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA"), and that have positive operating cash flow at the time of investment. In seeking income, we typically invest in companies that generate relatively stable to growing sales and cash flow to provide some assurance that they will be able to service their debt. We do not expect to invest in start-up companies or companies with what we believe to be speculative business plans.
- *Experienced Management.* We typically require that the businesses in which we invest have experienced management teams. We also require the businesses to have in place proper incentives to induce management to succeed and act in concert with our interests as investors, including having significant equity or other interests in the financial performance of their companies.
- *Strong Competitive Position in an Industry.* We seek to invest in businesses that have developed strong market positions within their respective markets and that we believe are well-positioned to capitalize on growth opportunities. We seek businesses that demonstrate significant competitive advantages versus their competitors, which we believe will help to protect their market positions and profitability.
- *Enterprise Collateral Value.* The projected enterprise valuation of the business, based on market based comparable cashflow multiples, is an important factor in our investment analysis in determining the collateral coverage of our debt securities.

Extensive Due Diligence

The Due Diligence Team conducts what we believe are extensive due diligence investigations of our prospective portfolio companies and investment opportunities. The due diligence investigation may begin with a review of publicly available information followed by in depth business analysis, including, but not limited to, some or all of the following:

- a review of the prospective portfolio company's historical and projected financial information, including a quality of earnings analysis;
- visits to the prospective portfolio company's business site(s);
- interviews with the prospective portfolio company's management, employees, customers and vendors;
- review of loan documents and material contracts;
- background checks and a management capabilities assessment on the prospective portfolio company's management team; and
- research on the prospective portfolio company's products, services or particular industry and its competitive position therein.

Upon completion of a due diligence investigation and a decision to proceed with an investment, the Adviser's investment professionals who have primary responsibility for the investment present the investment opportunity to the Adviser's investment committee. The investment committee then determines whether to pursue the potential investment. Additional due diligence of a potential investment may be conducted on our behalf by attorneys and independent accountants, as well as other outside advisers, prior to the closing of the investment, as appropriate.

We also rely on the long-term relationships that the Adviser's investment professionals have with venture capitalists, leveraged buyout funds, investment bankers, commercial bankers, private equity sponsors, attorneys, accountants, and business brokers. In addition, the extensive direct experiences of our executive officers and managing directors in the operations of and providing debt and equity capital to small and medium-sized private businesses plays a significant role in our investment evaluation and assessment of risk.

Investment Structure

Once the Adviser has determined that an investment meets our standards and investment criteria, the Adviser works with the management of that company and other capital providers to structure the transaction in a way that we believe will provide us with the greatest opportunity to maximize our return on the investment, while providing appropriate incentives to management of the company. As discussed above, the capital classes through which we typically structure a deal include senior debt, senior subordinated debt, junior subordinated debt, and preferred and common equity or equivalents. Through its risk management process, the Adviser seeks to limit the downside risk of our investments by:

- seeking collateral or superior positions in the portfolio company's capital structure where possible;
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility as possible in managing their businesses, consistent with preserving our capital;
- holding board seats or securing board observation rights at the portfolio company;
- incorporating put rights and call protection into the investment structure where possible; and
- making investments with an expected total return (including both interest and potential equity appreciation) that it believes compensates us for the credit risk of the investment.

We expect to hold most of our debt investments until maturity or repayment, but may sell our investments (including our equity investments) earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company or, in the case of an equity investment in a company, its initial public offering. Occasionally, we may sell some or all of our investment interests in a portfolio company to a third party, such as an existing investor in the portfolio company, in a privately negotiated transaction.

Competitive Advantages

A large number of entities compete with us and make the types of investments that we seek to make in small and medium-sized privately-owned businesses. Such competitors include BDCs, non-equity based investment funds, and other financing sources, including traditional financial services companies such as commercial banks. Many of our competitors are substantially larger than we are and have considerably greater funding sources or are able to access capital more cost effectively. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, serve a broader customer base and establish a greater market share. Furthermore, many of these competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. However, we believe that we have the following competitive advantages over other providers of financing to small and medium-sized businesses.

Management Expertise

Mr. Gladstone, our chairman and chief executive officer, is also the chairman and chief executive officer of the Adviser and its affiliated companies, other than Gladstone Securities, (the "Gladstone Companies"), and has been involved in all aspects of the Gladstone Companies' investment activities, including currently serving as a member of the Adviser's investment committee. Mr. Gladstone and Mr. Marcotte, our president, both have over twenty-five years of experience in investing in middle market companies and with operating in the BDC marketplace in general. Mr. Brubaker, our vice chairman and chief operating officer, has over twenty-five years of experience in acquisitions and operations of companies. Messrs. Gladstone and Brubaker also have principal management responsibility for the Adviser as its executive officers. These three individuals dedicate a significant portion of their time to managing our investment portfolio. Our senior management has extensive experience providing capital to small and medium-sized companies and Messrs. Gladstone and Brubaker have worked together at the Gladstone Companies for more than ten years. In addition, we have access to the resources and expertise of the Adviser's investment professionals and support staff who possess a broad range of transactional, financial, managerial and investment skills.

Increased Access to Investment Opportunities Developed Through Extensive Research Capability and Network of Contacts

The Adviser seeks to identify potential investments through active origination and due diligence and through its dialogue with numerous management teams, members of the financial community and potential corporate partners with whom the Adviser's investment professionals have long-term relationships. We believe that the Adviser's investment professionals have developed a broad network of contacts within the investment, commercial banking, private equity and investment management communities, and that their reputation, experience and focus on investing in small and medium-sized companies enables us to source and identify well-positioned prospective portfolio companies, that provide attractive investment opportunities. Additionally, the Adviser expects to generate information from its professionals' network of accountants, consultants, lawyers and management teams of portfolio companies and other contacts to support the Adviser's investment activities.

Disciplined, Value and Income-Oriented Investment Philosophy with a Focus on Preservation of Capital

In making its investment decisions, the Adviser focuses on the risk and reward profile of each prospective portfolio company, seeking to minimize the risk of capital loss without foregoing the potential for capital appreciation. We expect the Adviser to use the same value and income-oriented investment philosophy that its professionals use in the management of the other Gladstone Companies and to commit resources to manage downside exposure. The Adviser's approach seeks to reduce our risk in investments by using some or all of the following approaches:

- focusing on companies with sustainable market positions and cash flow;
- investing in businesses with experienced and established management teams;
- engaging in extensive due diligence from the perspective of a long-term investor;

- investing at low price-to-cash flow multiples; and
- adopting flexible transaction structures by drawing on the experience of the investment professionals of the Adviser and its affiliates.

Longer Investment Horizon

Unlike private equity and venture capital funds that are typically organized as finite-life partnerships, we are not subject to standard periodic capital return requirements. The partnership agreements of most private equity and venture capital funds typically provide that these funds may only invest investors' capital once and must return all capital and realized gains to investors within a finite time period, often seven to ten years. These provisions often force private equity and venture capital funds to seek returns on their investments by causing their portfolio companies to pursue mergers, public equity offerings, or other liquidity events more quickly than might otherwise be optimal or desirable, potentially resulting in a lower overall return to investors and/or an adverse impact on their portfolio companies. In contrast, we are an exchange-traded corporation of perpetual duration. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles provides us with the opportunity to achieve greater long-term returns on invested capital.

Flexible Transaction Structuring

We believe our management team's broad expertise and its ability to draw upon many years of combined experience enables the Adviser to identify, assess, and structure investments successfully across all levels of a company's capital structure and manage potential risk and return at all stages of the economic cycle. We are not subject to many of the regulatory limitations that govern traditional lending institutions, such as banks. As a result, we are flexible in selecting and structuring investments, adjusting investment criteria and transaction structures and, in some cases, the types of securities in which we invest. We believe that this approach enables the Adviser to craft a financing structure which best fits the investment and growth profile of the underlying business and yields attractive investment opportunities that will continue to generate current income and capital gain potential throughout the economic cycle, including during turbulent periods in the capital markets.

Leverage

For the purpose of making investments and taking advantage of favorable interest rates, we may issue senior securities up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us to issue "senior securities representing indebtedness" and "senior securities that are stock" in amounts such that we maintain an asset coverage ratio, as defined in Section 18(h) of the 1940 Act, of at least 200.0% on each of our senior securities immediately after issuance of each such senior security. We are exposed to the risks of leverage as a result of incurring indebtedness generally, such as through our revolving line of credit, which is considered a "senior security representing indebtedness", or issuing "senior securities that are stock," such as our 6.75% Series 2021 Term Preferred Stock (our "Series 2021 Term Preferred Stock"). Although borrowing money for investments increases the potential for gain, it also increases the risk of a loss. A decrease in the value of our investments will have a greater impact on the value of our common stock to the extent that we have borrowed money to make investments. There is a possibility that the costs of borrowing could exceed the income we receive on the investments we make with such borrowed funds. Our Board of Directors is authorized to provide for the issuance of senior securities with such preferences, powers, rights and privileges as it deems appropriate, subject to the requirements of the 1940 Act. See "*Regulation as a Business Development Company—Asset Coverage*" for a discussion of our leveraging constraints and "*Risk Factors—Risks Related to Our External Financing"* for further discussion of certain leveraging risks.

Ongoing Management of Investments and Portfolio Company Relationships

The Adviser's investment professionals actively oversee each investment by continuously evaluating the portfolio company's performance and typically working collaboratively with the portfolio company's management to identify and incorporate best resources and practices that help us achieve our projected investment performance.

Monitoring

The Adviser's investment professionals monitor the financial performance, trends, and changing risks of each portfolio company on an ongoing basis to determine if each company is performing within expectations and to guide the portfolio company's management in taking the appropriate courses of action. The Adviser employs various methods of evaluating and monitoring the performance of our investments in portfolio companies, which can include the following:

- monthly analysis of financial and operating performance;
- assessment of the portfolio company's performance against its business plan and our investment expectations;
- attendance at and/or participation in the portfolio company's board of directors or management meetings;
- assessment of portfolio company management, sponsor, governance and strategic direction;
- assessment of the portfolio company's industry and competitive environment; and
- review and assessment of the portfolio company's operating outlook and financial projections.

Relationship Management

The Adviser's investment professionals interact with various parties involved with a portfolio company, or investment, by actively engaging with internal and external constituents, including:

- management;
- boards of directors;
- financial sponsors;
- capital partners; and
- advisers and consultants.

Managerial Assistance and Services

As a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. Neither we, nor the Adviser, currently receive fees in connection with the managerial assistance we make available. Refer to "*Regulation as a Business Development Company—Significant Managerial Assistance*."

Since February 2011, Gladstone Securities, which is 100% indirectly owned and controlled by Mr. Gladstone, has provided other services, such as investment banking and due diligence services to certain of our portfolio companies. Any such fees paid by portfolio companies to Gladstone Securities do not impact the overall fees we pay to the Adviser or the overall fees credited against the base management fee. Specifically, Gladstone Securities may be paid an investment banking fee in an amount not greater than 1% of our investment in a portfolio company at the closing of such investment. The investment banking fee is not credited against the base management fee. See "*Management—Certain Transactions—Investment Banking Services.*"

Valuation Process

The following is a general description of the investment valuation policy (the "Policy") (which has been approved by our Board of Directors) the professionals of the Adviser and Administrator, with oversight and direction from our chief valuation officer, an employee of the Administrator who reports directly to our Board of Directors, (collectively, the "Valuation Team") use each quarter to determine the value of our investment portfolio. In accordance with the 1940 Act, our Board of Directors has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on the Policy. The Valuation Team values our investments in accordance with the requirements of the 1940 Act and accounting principles generally accepted in the U.S. ("GAAP"). 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. Each quarter, our Board of Directors and the Valuation Committee of our Board of Directors (the "Valuation Committee"), which is comprised entirely of independent directors, reviews the Policy to determine if changes thereto are advisable and assesses whether the Valuation Team has applied the Policy consistently. With respect to the valuation of our investment portfolio, the Valuation Team performs the following steps each quarter:

- Each portfolio company or investment is initially assessed by the Adviser's investment professionals responsible for the investment along with our chief valuation officer, using the Policy, which may include:
  - obtaining fair value quotes or utilizing input from third party valuation firms; and
  - using techniques, such as total enterprise value, yield analysis, market quotes and other factors, including but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates.
- Preliminary valuation conclusions are then discussed amongst the Valuation Team and with our management and documented for review by the Valuation Committee and Board of Directors.
- Next, prior to its quarterly meetings, our Board of Directors receives written valuation recommendations and supporting materials provided by the Valuation Team. Then, the Valuation Committee meets to review the Valuation Team's valuation recommendations and supporting materials. Lastly, after the Valuation Committee concludes its meeting, it along with our chief valuation officer present the Valuation Committee's findings to the entire Board of Directors, so that the full Board of Directors may review and approve the fair value of our investments in accordance with the Policy.

Fair value measurements of our investments may involve subjective judgment and estimates. Due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate, from period to period. Our valuation policies, procedures and processes are more fully described in Note 2—*Summary of Significant Accounting Policies* in the notes to our accompanying *Consolidated Financial Statements* included elsewhere in this prospectus.

Transactions with Related Parties

Investment Advisory and Management Agreement

In 2006, we entered into an amended and restated investment advisory and management agreement with the Adviser (the "Advisory Agreement"), which was subsequently amended in October 2015, as approved unanimously by our Board of Directors, including the unanimous approval our independent directors, to reduce the base management fee payable to the Adviser effective July 1, 2015, as discussed further below. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. On July 14, 2015, our Board of Directors, including a majority of the directors who are not parties to the agreement or interested person of any such party, approved the annual renewal of the Advisory Agreement with the Adviser through August 31, 2016. 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.

Base Management Fee Under the Advisory Agreement

The base management fee is computed and generally payable quarterly to the Adviser and, effective July 1, 2015, is assessed at an annual rate of 1.75%, computed on the basis of the value of our average gross assets at the end of the two most recently completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, and adjusted appropriately for any share issuances or repurchases during the period. Prior to July 1, 2015, the annual rate was 2.0%. Our Board of Directors may (as it has for the years ended September 30, 2015, 2014 and 2013) accept an unconditional and irrevocable credit from the Adviser to reduce the annual 1.75% (or prior to July 1, 2015, 2.0%) base management fee on senior syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations.

The Adviser generally voluntarily and irrevocably credits 100% of certain other fees against the base management fee that we would otherwise be required to pay the Adviser. These fees are for services that the Adviser provides to our portfolio companies, which are not the significant managerial assistance that the Adviser is required to provide under the 1940 Act. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. As stated above, 100% of these fees are generally credited against the base management fee; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, primarily for the valuation of portfolio companies, is retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser. Loan servicing fees that are payable to the Adviser pursuant to our revolving line of credit, are also 100% credited against the base management fee as discussed below "*—Loan Servicing Fee Pursuant to Credit Agreement*."

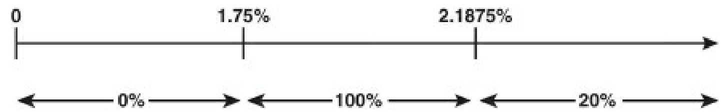
Incentive Fee Under the Advisory Agreement

The incentive fee consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (the "hurdle rate"). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);
- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Quarterly Incentive Fee Based on Net Investment Income

Pre-incentive fee net investment income
(expressed as a percentage of the value of net assets)



Percentage of pre-incentive fee net investment income
allocated to income-related portion of incentive fee

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date), and equals 20.0% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio's aggregate unrealized capital depreciation, if any, and excluding any unrealized capital appreciation, as of the date of the calculation. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since our inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since our inception. The entire portfolio's aggregate unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio's aggregate unrealized capital depreciation, if any. If this number is positive at the end of such year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. We have not incurred capital gains-based incentive fees from inception through September 30, 2015, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains-based incentive fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that any such unrealized capital appreciation will be realized in the future. There has been no GAAP accrual recorded for a capital gains-based incentive fee since our inception through September 30, 2015.

Our Board of Directors accepted an unconditional and irrevocable credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of the distributions to common stockholders for the years ended September 30, 2015, 2014 and 2013, which credits totaled \$1.4 million, \$1.2 million, and \$1.0 million, respectively.

Loan Servicing Fee Pursuant to Credit Agreement

The Adviser also services the loans held by Business Loan (the borrower under our line of credit), in return for which the Adviser receives a 1.5% annual fee payable monthly based on the monthly aggregate outstanding balance of loans pledged under our line of credit. Since Business Loan is a consolidated subsidiary of ours, and the total base management fee paid to the Adviser pursuant to the Advisory Agreement cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given calendar year, we treat payment of the loan servicing fee pursuant to our line of credit as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, for the years ended September 30, 2015, 2014 and 2013, these loan servicing fees were 100% voluntarily, irrevocably and unconditionally credited back to us by the Adviser.

Administration Agreement

In 2006, we entered into an administration agreement with the Administrator (the "Administration Agreement"), whereby we pay separately for administrative services. The Administration Agreement provides for payments equal to our allocable portion of the Administrator's expenses incurred while performing services to us, which are primarily rent and salaries and benefits expenses of the Administrator's employees, including our chief financial officer and treasurer, chief compliance officer, chief valuation officer and general counsel and secretary (who also serves as the Administrator's president). Prior to July 1, 2014, our allocable portion of the expenses were derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser.

Effective July 1, 2014, our allocable portion of the Administrator's expenses are derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator under contractual agreements. These administrative fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter. On July 14, 2015, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2016.

Material U.S. Federal Income Tax Considerations

Regulated Investment Company Status

To maintain the qualification for treatment as a RIC under the Code, we must distribute to our stockholders, for each taxable year, at least 90.0% of our investment company taxable income, which is generally our ordinary income plus the excess of our net short-term capital gains over net long-term capital losses. We refer to this as the "annual distribution requirement". We must also meet several additional requirements, including:

- *Business Development Company status.* At all times during the taxable year, we must maintain our status as a BDC.
- *Income source requirements*. At least 90.0% of our gross income for each taxable year must be from dividends, interest, payments with respect to securities, loans, gains from sales or other dispositions of securities or other income derived with respect to our business of investing in securities, and net income derived from an interest in a qualified publicly traded partnership.
- *Asset diversification requirements.* As of the close of each quarter of our taxable year: (1) at least 50.0% of the value of our assets must consist of cash, cash items, U.S. government securities, the securities of other regulated investment companies and other securities to the extent that (a) we do not hold more than 10.0% of the outstanding voting securities of an issuer of such other securities, and (b) such other securities of any one issuer do not represent more than 5.0% of our total assets; and (2) no more than 25.0% of the value of our total assets may be invested in the securities of one issuer (other than U.S. government securities or the securities of other regulated investment companies), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships.

Failure to Qualify as a RIC

If we are unable to qualify for treatment as a RIC, we will be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions would be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's adjusted tax basis, and then as a gain realized from the sale or exchange of property. If we fail to meet the RIC requirements for more than two consecutive years and then seek to requalify as a RIC, we generally would be subject to corporate-level federal income tax on any unrealized appreciation with respect to our assets to the extent that any such unrealized appreciation is recognized during a specified period up to ten years.

Qualification as a RIC

If we qualify as a RIC and distribute to stockholders each year in a timely manner at least 90.0% of our investment company taxable income, we will not be subject to federal income tax on the portion of our taxable income and gains we distribute to stockholders. We would, however, be subject to a 4.0% nondeductible federal excise tax if we do not distribute, actually or on a deemed basis, an amount at least equal to the sum of (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. For the years ended December 31, 2014, 2013 and 2012, we did not incur any excise taxes.

The federal excise tax would apply only to the amount by which the required distributions exceed the amount of income we distribute, actually or on a deemed basis, to stockholders. We will be subject to regular corporate income tax, currently at rates up to 35.0%, on any undistributed income, including both ordinary income and capital gains.

If we acquire debt obligations that (i) were originally issued at a discount, (ii) bear interest at rates that are not either fixed rates or certain qualified variable rates or (iii) are not unconditionally payable at least annually over the life of the obligation, we will be required to include in taxable income each year a portion of the original issue discount ("OID") that accrues over the life of the obligation. Additionally, PIK interest, which is computed at the contractual rate specified in a loan agreement and is added to the principal balance of a loan, is also a non cash source of income that we are required to include in taxable income each year. Both OID and PIK income will be included in our investment company taxable income even though we receive no cash corresponding to such amounts. As a result, we may be required to make additional distributions corresponding to such OID and PIK amounts in order to satisfy the annual distribution requirement and to continue to qualify as a RIC or to avoid the imposition of federal income and excise taxes. In this event, we may be required to sell investments or other assets to meet the RIC distribution requirements. For the year ended September 30, 2015, we incurred $0.3 million of OID income and the unamortized balance of OID investments (which are primarily all syndicated loans) as of September 30, 2015 totaled $0.6 million. As of September 30, 2015, we had four investments which had a PIK interest component and we recorded PIK interest income of $0.6 million during the year ended September 30, 2015.

Taxation of Our U.S. Stockholders

Distributions

For any period during which we qualify as a RIC for federal income tax purposes, distributions to our stockholders attributable to our investment company taxable income generally will be taxable as ordinary income to stockholders to the extent of our current or accumulated earnings and profits. We first allocate our earnings and profits to distributions to our preferred stockholders and then to distributions to our common stockholders based on priority in our capital structure. Any distributions in excess of our current and accumulated earnings and profits will first be treated as a return of capital to the extent of the stockholder's adjusted basis in his or her shares of common stock and thereafter as gain from the sale of shares of our common stock. Distributions of our long-term capital gains, reported by us as such, will be taxable to stockholders as long-term capital gains regardless of the stockholder's holding period for its common stock and whether the distributions are paid in cash or invested in additional common stock. Corporate stockholders are generally eligible for the 70.0% dividends received deduction with respect to dividends received from us, other than capital gains dividends, but only to the extent such amount is attributable to dividends received by us from taxable domestic corporations. Certain U.S. stockholders who are individuals, estates and trusts generally are subject to a 3.8% Medicate tax on dividends on shares of our stock.

Any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it were paid by us and received by the stockholders on December 31 of the previous year. In addition, we may elect (in accordance with Section 855(a) of the Code) to relate a dividend back to the prior taxable year if we (1) declare such dividend prior to the later of the due date for filing our return for that taxable year or the 15th day of the ninth month following the close of the taxable year, (2) make the election in that return, and (3) distribute the amount in the 12-month period following the close of the taxable year but not later than the first regular dividend payment of the same type following the declaration. Any such election will not alter the general rule that a stockholder will be treated as receiving a dividend in the taxable year in which the distribution is made, subject to the October, November, December rule described above.

If a common stockholder participates in our "opt in" dividend reinvestment plan, any distributions reinvested under the plan will be taxable to the common stockholder to the same extent, and with the same character, as if the common stockholder had received the distribution 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 day on which the shares are credited to the common stockholder's account. We may use newly issued shares under the guidelines of our dividend reinvestment plan, or we may purchase shares in the open market in connection with the obligations under the plan. We do not have a dividend reinvestment plan for our preferred stockholders.

Sale of Our Shares

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our common or preferred stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. Under the tax laws in effect as of the date of this filing, individual U.S. stockholders are subject to a maximum federal income tax rate of 20.0% on their net capital gain (*i.e.* the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the same rates applied to their ordinary income (currently up to a maximum of 35.0%). Capital losses are subject to limitations on use for both corporate and non-corporate stockholders. Certain U.S. stockholders who are individuals, estates or trusts generally are subject to a 3.8% Medicare tax on, among other things, dividends on, and capital gain from the sale or other disposition of, shares of our stock.

Required Withholding

We may be required to withhold federal income tax, or backup withholding, currently at a rate of 28.0%, from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the Internal Revenue Service ("IRS") notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is generally his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is provided to the IRS.

The Foreign Account Tax Compliance Act imposes a federal withholding tax on certain types of payments, including dividends and gross proceeds from a sale or other disposition of our stock, made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied. Under delayed effective dates provided for in the Treasury Regulations and other IRS guidance, such required withholding will not begin until January 1, 2019 with respect to gross proceeds from a sale or other disposition of our stock.

Regulation as a BDC

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under Section 54 of the 1940 Act. As such, we are subject to regulation under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding "voting securities," as defined in the 1940 Act.

We intend to conduct our business so as to retain our status as a BDC. A BDC may use capital provided by public stockholders and from other sources to invest in long-term private investments in businesses. A BDC provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies. In general, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in qualifying assets, as described in Sections 55(a)(1) through (a)(3) of the 1940 Act.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets, other than certain interests in furniture, equipment, real estate, or leasehold improvements ("operating assets") represent at least 70.0% of our total assets, exclusive of operating assets. The types of qualifying assets in which we may invest under the 1940 Act include, but are not limited to, the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer is an eligible portfolio company. An eligible portfolio company is generally defined in the 1940 Act as any issuer which:

- (a) is organized under the laws of, and has its principal place of business in, any State or States in the U.S.;
- (b) is not an investment company (other than a small business investment company wholly owned by the BDC or otherwise excluded from the definition of investment company); and
- (c) satisfies one of the following:
  - (i) it does not have any class of securities with respect to which a broker or dealer may extend margin credit;
  - (ii) it is controlled by the BDC and for which an affiliate of the BDC serves as a director;
  - (iii) it has total assets of not more than $4.0 million and capital and surplus of not less than $2 million;

(iv) it does not have any class of securities listed on a national securities exchange; or

(v) it has a class of securities listed on a national securities exchange, with an aggregate market value of outstanding voting and non-voting equity of less than $250.0 million.

(2) Securities received in exchange for or distributed on or with respect to securities described in (1) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(3) Cash, cash items, government securities or high quality debt securities maturing in one year or less from the time of investment.

Asset Coverage

Pursuant to Section 61(a)(2) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of "senior securities representing indebtedness." However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of "senior securities that is stock." In either case, we may only issue such senior securities if such class of senior securities, after such issuance, has an asset coverage, as defined in Section 18(h) of the 1940 Act, of at least 200.0%.

In addition, our ability to pay dividends or distributions (other than dividends payable in our stock) to holders of any class of our capital stock would be restricted if our "senior securities representing indebtedness" fail to have an asset coverage of at least 200.0% (measured at the time of declaration of such distribution and accounting for such distribution). The 1940 Act does not apply this limitation to privately arranged debt that is not intended to be publicly distributed, unless this limitation is specifically negotiated by the lender.

In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to our common stockholders would also be restricted if our "senior securities that are stock" fail to have an asset coverage of at least 200.0% (measured at the time of declaration of such distribution and accounting for such distribution).

If the value of our assets declines, we might be unable to satisfy these asset coverage requirements. To satisfy the 200.0% 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 our stockholders. If we are unable to regain the requisite asset coverage through these methods, we may be forced to suspend the payment of such dividends.

Significant Managerial Assistance

Generally, a BDC must make available significant managerial assistance to issuers of certain of its portfolio securities that the BDC counts as a qualifying asset for the 70.0% test described above. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Significant managerial assistance also includes the exercise of a controlling influence over the management and policies of the portfolio company. However, with respect to certain, but not all such securities, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance, or the BDC may exercise such control jointly.

Investment Policies

We seek to achieve a high level of current income and capital gains through investments in debt securities and preferred and common stock that we acquire in connection with buyout and other recapitalizations. The following investment policies, along with these investment objectives, may not be changed without the approval of our Board of Directors:

- We will at all times conduct our business so as to retain our status as a BDC. In order to retain that status, we must be operated for the purpose of investing in certain categories of qualifying assets. In addition, we may not acquire any assets (other than non-investment assets necessary and appropriate to our operations as a BDC or qualifying assets) if, after giving effect to such acquisition, the value of our "qualifying assets" is less than 70.0% of the value of our total assets. We anticipate that the securities we seek to acquire will generally be qualifying assets.
- We will at all times endeavor to conduct our business so as to retain our status as a RIC under the Code. To do so, we must meet income source, asset diversification and annual distribution requirements. We may issue senior securities, such as debt or preferred stock, to the extent permitted by the 1940 Act for the purpose of making investments, to fund share repurchases, or for temporary emergency or other purposes.

With the exception of our policy to conduct our business as a BDC, these policies are not fundamental and may be changed without stockholder approval.

Code of Ethics

We, and all of the Gladstone family of companies, have adopted a code of ethics and business conduct applicable to all of the officers, directors and employees of such companies that complies with the guidelines set forth in Item 406 of Regulation S-K of the Securities Act of 1933 (the "Securities Act") and Rule 17j-1 of the 1940 Act. As required by the 1940 Act, this code establishes procedures for personal investments, restricts certain transactions by such personnel and requires the reporting of certain transactions and holdings by such personnel. This code of ethics and business conduct is publicly available on our website under "Corporate Governance" at *www.GladstoneCapital.com*. We intend to provide any required disclosure of any amendments to or waivers of the provisions of this code by posting information regarding any such amendment or waiver to our website or in a Current Report on Form 8-K.

Compliance Policies and Procedures

We and the Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws, and our Board of Directors is required to review these compliance policies and procedures annually to assess their adequacy and the effectiveness of their implementation. We have designated a chief compliance officer, John Dellafiora, Jr., who also serves as chief compliance officer for all of the Gladstone family of companies.

Staffing

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of the Adviser and the Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. No employee of the Adviser or the Administrator will dedicate all of his or her time to us. However, we expect that 25 to 30 full time employees of the Adviser and the Administrator will spend substantial time on our matters during the remainder of calendar year 2015 and all of calendar year 2016. To the extent we acquire more investments, we anticipate that the number of employees of the Adviser and the Administrator who devote time to our matters will increase.

Table of Contents

As of November 17, 2015, the Adviser and the Administrator collectively had 64 full-time employees. A breakdown of these employees is summarized by functional area in the table below:

Number of Individuals	Functional Area
12	Executive management
15	Accounting, administration, compliance, human resources, legal and treasury
37	Investment management, portfolio management and due diligence

Available Information

Copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments, if any, to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are available free of charge through our website at *www.GladstoneCapital.com* as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. A request for any of these reports may also be submitted to us by sending a written request addressed to Investor Relations, Gladstone Capital Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102, or by calling our toll-free investor relations line at 1-866-366-5745. The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at *www.sec.gov*.

Competition

A large number of entities compete with us and make the types of investments that we seek to make in small and medium-sized privately-owned businesses. Such competitors include private equity funds, leveraged buyout funds, venture capital funds, investment banks and other equity and non-equity based investment funds, and other financing sources, including traditional financial services companies such as commercial banks. Many of our competitors are substantially larger than we are and have considerably greater funding sources that are not available to us, although our ability to co-invest with other funds advised by the Adviser may lessen this disparity. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, establish more relationships and build their market shares. Furthermore, many of these competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. There is no assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. In addition, because of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that we will be able to identify and make investments that satisfy our investment objective or that we will be able to meet our investment goals. Recently we have seen an increase in our competition such that terms and rates for proposed loans have been reduced. However, we believe that our extensive loan referral network and flexible transaction structuring enable us to compete effectively for opportunities in the current market environment.

Properties

We do not own any real estate or other physical properties materially important to our operations. The Adviser is the current leaseholder of all properties in which we operate. We occupy these premises pursuant to our Advisory and Administration Agreements with the Adviser and Administrator, respectively. The Adviser and Administrator are both headquartered in McLean, Virginia and the Adviser also has offices in several other states.

Legal Proceedings

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us.

Table of Contents

PORTFOLIO COMPANIES

The following table sets forth certain information as of September 30, 2015, regarding each portfolio company in which we had a debt or equity security as of such date. All such investments have been made in accordance with our investment policies and procedures described in this prospectus.

(Dollars in thousands)

Company	Industry	Investment	% of Class Held on Fully Diluted Basis	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS					
Non-syndicated Loans:					
AG Transportation Holdings, LLC 2430 Lincolnway East Goshen, IN 46526	Cargo Transportation	Secured Second Lien Debt		12,980	12,870
		Member Profit Participation	18.00%	1,000	564
		Profit Participation Warrants	7.00%	244	0
Allison Publications, LLC 4311Oak Lawn, Suite 100 Dallas, Texas 75219	Printing and publishing	Secured First Lien Line of Credit		350	347
		Secured First Lien Debt		2,444	2,422
		Secured First Lien Debt		5,400	5,360
Alloy Die Casting Co. 6550 Caballero Blvd. Buena Park, Ca 90620	Diversified / conglomerate manufacturing	Secured First Lien Debt		5,235	4,947
		Preferred Stock	29.30%	1,742	153
		Common Stock	25.70%	18	0
B+T Group Acquistion Inc. 1717 Boulder Ave #3000 Tulsa, OK 74119	Telecommunications	Secured First Lien Debt		6,000	5,865
		Preferred Stock	13.94%	1,799	0
Behrens Manufacturing. LLC 1250 E 8th Street Winina, MN 55987	Diversified / conglomerate manufacturing	Secured First Lien Debt		4,275	4,264
		Preferred Stock	24.00%	1,253	2,268
Chinese Yellow Pages Company 9550 Flair Drive Suite 200 El Monte, CA 91731	Printing and publishing	Secured First Lien Line of Credit		108	32
Flight Fit N Fun 7200 Fullerton Road Springfield, VA 22150	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt		7,800	7,800
		Preferred Stock	24.30%	700	700
Francis Drilling Fluids, Ltd. 240 Jasmine Road Crowley, LA 70526	Oil and gas	Secured Second Lien Debt		15,000	12,938
		Secured Second Lien Debt		7,000	6,037
		Preferred Equity Units	4.57%	648	747
		Common Equity Units	3.90%	1	206
Funko, LLC 1202 Shuksan Way Everett, WA 98203	Personal and non-durable consumer products	Secured First Lien Debt		7,500	7,500
		Secured First Lien Debt		2,000	2,000
		Preferred Equity Units	8.20%	1,305	17,314

Table of Contents

Company	Industry	Investment	% of Class Held on Fully Diluted Basis	Cost	Fair Value
GFRC Holdings, LLC 3615 Miller Park Dr. Garland, TX 75042	Buildings and real estate	Secured First Lien Line of Credit		1,000	1,000
		Secured First Lien Debt		360	360
		Preferred Stock	100.00%	1,025	1,025
		Common Stock Warrant	45.00%	0	0
Heartland Communications Group 909 North Railroad Eagle River, WI 54521	Broadcasting and entertainment	Secured First Lien Line of Credit		82	31
		Secured First Lien Line of Credit		74	31
		Secured First Lien Debt		3,568	1338
		Common Stock Warrants	8.75%	66	0
J. America, Inc. 1200 Mason Court Webberbille, MI 48892	Personal and non-durable consumer products	Secured Second Lien Debt		7,538	7,331
		Secured Second Lien Debt		9,548	9,274
Leeds Novamark Capital I, L.P. 350 Park Avenue, 23rd Floor New York, NY 10022	Private equity fund—healthcare, education and childcare	Limited Partnership Interest	3.46%	781	555
Legend Communications of Wyoming, LLC 6805 Douglas Legum Dr, Ste 100 Elkridge, MD 21075	Broadcasting and entertainment	Secured First Lien Debt		6,699	3,816
Meridian Rack & Pinion, Inc. 6740 Cobra Way San Diego, CA 92121	Automobile	Secured First Lien Debt		4,140	4,036
		Preferred Stock	23.30%	1,449	0
Mikawaya 5563 Alcoa Avenue Vernon, CA 90058	Beverage, Food and Tobacco	Secured Second Lien Debt		6,750	6,750
		Common Stock	2.49%	450	450
Precision Acquisition Group Holdings, Inc. 435 Burt Street Sistersville, WV 26175	Machinery	Equipment Note		1,000	1,104
		Secured First Lien Debt		4,125	2,910
		Secured First Lien Debt		4,053	640
Southern Petroleum Laboratories, Inc. 8850 Interchange Dr. Houston, TX 77054	Oil and gas	Senior Subordinated Term Debt		8,000	7,600
		Preferred Stock	3.86%	750	1274
Triple H Food Processor 5821Wilderness Avenue Riverside, CA 92504	Beverage, Food and Tobacco	Secured First Lien Debt		8,000	8,000
		Common Stock	5.69%	250	250
TWS Acquisition Corporation 120 N. 44th Street, Suite 230 Phoenix, AZ 85034	Healthcare, Education, and Childcare	Secured First Lien Line of Credit		0	0
		Secured First Lien Debt		13,000	13,000
United Flexible, Inc. 815 Forestwood Drive Romeoville, IL 60446	Diversified/conglomerate manufacturing	Secured First Lien Debt		20,284	20,030
		Preferred Stock	1.23%	245	261
		Common Stock	1.11%	5	64

Company	Industry	Investment	% of Class Held on Fully Diluted Basis	Cost	Fair Value
Vision Government Solutions 44 Bearfoot Road Northboro, MA 01532	Diversified/conglomerate services	Secured First Lien Line of Credit		1,450	1,434
		Secured First Lien Debt		9,000	8,899
Wadeco Specialties, Inc. 8115 W. Industrial Midland, Texas 79706	Oil and gas	Secured First Lien Line of Credit		2,475	2,388
		Secured First Lien Debt		12,750	12,307
		Secured First Lien Debt		7,000	6,748
		Preferred Stock	2.86%	477	477
Westland Technologies, Inc. 107 S Riverside Dr Modesto, CA 95354	Diversified/conglomerate manufacturing	Secured First Lien Debt		4,000	4,013
		Common Stock	4.17%	408	639
Subtotal—Non-syndicated loans				**225,604**	**222,369**
Syndicated Loans:					
Ameriqual Group, LLC 18200 Highway 41North Evansville, IN 47725	Beverage, food and tobacco	Secured First Lien Debt		7,352	7,367
Autoparts Holdings Limited 39 Old Ridgebury Rd Danbury, CT 06810	Automobile	Secured Second Lien Debt		698	692
First American Payment Systems, L.P. 100 Throckmorton St., Suite 1800 Fort Worth, TX 76102	Finance	Secured Second Lien Debt		4,172	4,006
GTCR Valor Companies, Inc. 332 S. Michigan Ave Chicago, IL 60604	Electronics	Secured Second Lien Debt		2,984	2,940
New Trident Holdcorp, Inc. 920 Ridgebrook Road, 2nd Floor Sparks, MD 21152	Healthcare, education and childcare	Secured Second Lien Debt		3,989	3,720
PLATO Learning, Inc. 5600 W 83rd Street Bloomington, MN 55437	Healthcare, education and childcare	Secured Second Lien Debt		2,666	2,715
		Common Stock	2.10%	2,637	0
PSC Industrial Outsourcing, LP 5151 San Felipe, Suite 1100 Houston, TX 77056	Diversified/conglomerate services	Secured Second Lien Debt		3,436	3,430
RP Crown Parent, LLC 14400 N 87th Street Scottsdale, AZ 85260	Electronics	Secured Second Lien Debt		1,971	1,720
Source HOV, LLC 2701 E. Grauwyler Road Irving, TX 75061	Finance	Secured Second Lien Debt		4,822	4,350
Targus Group International, Inc. 1211 North Miller Street Anaheim, CA 92806	Textiles and leather	Secured First Lien Debt		8,950	6,911

Company	Industry	Investment	% of Class Held on Fully Diluted Basis	Cost	Fair Value
The Active Network 10182 Telesis Court, Suite 100 Irevie, CA 92618	Electronics	Secured Second Lien Debt		996	930
Vertellus Specialites, Inc. 1500 S Tibbs Ave Indianapolis, IN 46241	Chemicals, Plastics and Rubber	Secured First Lien Debt		3,839	3,524
Vision Solutions, Inc. 15300 Barranca Parkway Irvine, California 92618	Electronics	Secured Second Lien Debt		7,968	7,960
Vitera Healthcare Solutions, LLC 4301 West Boy Scout Blvd, Suite 800 Tampa, FL 33607	Healthcare education and childcare	Secured Second Lien Debt		4,476	4,388
W3, Co. 11111 Wilcrest Green Drive #300 Houston, TX 77042	Oil and gas	Secured Second Lien Debt		495	389
Subtotal—Syndicated loans				61,451	55,042
Total Non-Control/Non-Affiliate Inves tments (repres ented 75.8% of total inves tments at fair value)				**287,055**	**277,411**
AFFILIATE INVESTMENTS					
Ashland Acquisition, LLC 30 Amberwood Parkway Ashland, OH 44805	Printing and publishing	Secured First Lien Line of Credit		—	—
		Secured First Lien Debt		7,000	7,017
		Preferred Equity Units	20.00%	440	574
		Common Equity Units	20.00%	—	238
Edge Adhesives Holdings, Inc. 30 Amberwood Parkway Ashland, OH 44805	Diversified/conglomerate manufacturing	Secured First Lien Debt		6200	6123
		Secured First Lien Debt		1,600	1,582
		Preferred Stock	25.16%	2,516	0
FedCap Partners, LLC 11951 Freedom Drive, 13th Fl Reston, VA 20190	Private equity fund	Class A Membership Units	6.67%	1,634	1,647
Lignetics, Inc. P.O. Box 1706 Sandpoint, ID 83864	Diversified/conglomerate manufacturing	Secured Second Lien Debt		6,000	5,940
		Secured Second Lien Debt		8,000	7,920
		Common Stock	9.60%	1,855	2,211
LWO Acquisitions, LLC 1920 Hurd Drive Irving, TX 75038	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit		1,050	1,049
		Secured First Lien Debt		10,579	10,566
		Common Stock	10.00%	921	545
RBC Aquisition Corp. 1945 Walton Rd. St. Louis, MO 63114	Healthcare, education and childcare	Secured First Lien Line of Credit		4,000	4,000
		Mortgage Note		6,871	6,871
		Secured First Lien Debt		11,392	9,746
		Secured First Lien Debt		6,000	0
		Preferred Stock	100.00%	4,999	0
		Common Stock	75.00%	370	0
Total Affiliate Inves tments (repres ented 18.1% of total inves tments at fair value)				**81,427**	**66,029**

Company	Industry	Investment	% of Class Held on Fully Diluted Basis	Cost	Fair Value
CONTROL INVESTMENTS					
Defiance Integrated Technologies, Inc. 800 Independence Drive Napoleon, OH 43545	Automobile	Secured Second Lien Debt		6,385	6,384
		Common Stock	59.30%	1	6,586
Lindmark Acquisition, LLC 306 Lindmark Ave Purcell, OK 73080	Broadcasting and entertainment	Secured First Lien Debt		—	—
		Success Fee on Secured Second Lien Debt		—	20
		Common Stock	100.00%	317	—
Sunshine Media Holdings 735 Broad St, Suite 708 Chattanooga, TN 37402	Printing and publishing	Secured First Lien Line of Credit		1,396	1,396
		Secured First Lien Debt		5,000	2,379
		Secured First Lien Debt		11,948	5,686
		Preferred Stock	97.07%	10,700	0
		Common Stock	74.29%	5,275	0
		Common Stock Warrants	74.29%	740	0
Total Control Inves tments (repres ented 6.1% of total inves tments at fair value)				**41,762**	**22,451**
Total Inves tments				**410,244**	**365,891**

Significant Portfolio Companies

Set forth below is a brief description of each portfolio company in which we have made an investment that currently represents greater than 5% of our total assets at fair value (excluding cash pledged to creditors). Because of the relative size of our investments in these companies, we are exposed to a greater degree to the risks associated with these companies.

WadeCo Specialties, Inc.

We currently hold investments, having an aggregate fair value of $21.9 million as of September 30, 2015, in WadeCo Specialties, Inc, which we refer to as WadeCo. Our investments in WadeCo consist of a secured first lien loan with a principal amount outstanding of $12.8 million (maturing March 6, 2019), a secured first lien loan with a principal amount outstanding of $7.0 million (maturing March 6, 2019), a secured first lien line of credit of $5.0 million with $2.5 million available (maturing March 6, 2016), and approximately 1.0 million preferred shares we purchased for approximately $0.5 million.

WadeCo provides chemicals to oil well operators used for (i) corrosion prevention in well or salt water disposal pipes; (ii) separating oil, gas and water once extracted from wells; (iii) bacteria growth management; and (iv) conditioning water utilized for fracking. WadeCo primarily operates in the Permian and Eagle Ford basins.

Further declines in oil prices could negatively impact domestic energy exploration and production activity in the Permian and Eagle Ford Basins and could negatively impact demand for production chemicals. In addition, new federal and state regulations around drilling in an environmentally sustainable manner could also impact Wadeco’s services as its customers may be negatively impacted by adopting these regulations.

WadeCo’s principal executive offices are located at 8115 W. Industrial, Midland, Texas 79706.

RBC Acquisition Corp.

We currently hold investments, having an aggregate fair value of $20.6 million as of September 30, 2015, in RBC Acquisition Corp. and its subsidiaries, which we refer to collectively as Reliable. Our investments in Reliable consist of secured first lien debt with a principal amount outstanding of $11.4 million, a secured first lien loan with a principal amount outstanding of $6.0 million, a secured first lien mortgage note with a principal amount outstanding of $6.9 million, a secured first lien line of credit of $4.0 million (all of which is currently drawn), approximately 5.0 million preferred shares we purchased for approximately $5.0 million and 2.0 million common shares we purchased for approximately $0.4 million. Each of the loans and line of credit all have a maturity date of December 22, 2015.

Reliable, based in St. Louis, Missouri, develops and manufactures active pharmaceutical ingredients and high purity processing chemicals used in the manufacture of pharmaceuticals and biological products. Reliable's products are the active ingredients for leading generic injectable drugs that treat cancer, heart disease, hypertension, anxiety and other serious illnesses.

Because of the relative size of this investment, we are significantly exposed to the risks associated with Reliable's business. In particular, Reliable is subject to regulation and approvals by the Food & Drug Administration, or FDA. Should Reliable fail to comply with FDA regulations, it could have a material adverse impact on Reliable and the value of our investment in Reliable.

Reliable's principal executive offices are located at 1945 Walton Road, St. Louis, Missouri 63114.

United Flexible, Inc.

We currently hold investments, having an aggregate fair value of $20.4 million as of September 30, 2015, in United Flexible, Inc., which we refer to as United Flexible. Our investments in United Flexible consist of a secured first lien loan with a principal amount outstanding of $20.3 million (maturing February 11, 2020), a secured first lien line of credit of $4.0 million all of which is currently available (maturing February 11, 2018), 245 preferred shares we purchased for $245,000 and 5 common shares we purchased for $5,000. United Flexible, based in Romeoville, Illinois, is a global leader in the design, development, and manufacture of corrugated flexible metal, Teflon and composite hoses for the transfer of fluids and gasses in extreme environments.

United Flexible's industry is competitive and an increased level of competition could create downward pressure on pricing and lower margins. Additionally, overall hose demand in many of United Flexible's end markets is sensitive to changes in Gross Domestic Product in both the United States and Europe, so a slow down or decline in the GDP in either area could negatively impact United Flexible's volume and cash flow generation.

United Flexible's principal executive offices are located at 815 Forestwood Drive, Romeoville, IL 60446.

Francis Drilling Fluids, Ltd.

We currently hold investments, having an aggregate fair value of $19.9 million as of September 30, 2015, in Francis Drilling Fluids, Ltd. and its subsidiaries, which we refer to as FDF. Our investments in FDF consist of a secured second lien loan with a principal amount outstanding of $15.0 million (maturing April 27, 2020), a secured first lien loan with a principal amount outstanding of $7.0 million (maturing April 27, 2020), 999 preferred shares we purchased for $648,000 and 999 common shares we purchased for $1,000.

FDF is a logistics network provider of warehousing, transportation and energy field services that focus on fracturing materials required for high-pressure, fracture stimulation for horizontal oil and natural gas drilling. FDF provides its oil shale and gas shale oilfield services and exploration and production customers all of their drilling fluids, storage and transportation of hydraulic fracturing materials, equipment rental and cleaning service needs during every stage of the drilling process. FDF focuses on oil and natural gas drilling customers primarily in Texas, Oklahoma, Louisiana, Arkansas, North Dakota, West Virginia and Wyoming. Because of the relative size of this investment, we are significantly exposed to the risks associated with FDF's business. FDF's profitability is directly correlated with oil and gas prices, as prices drive drilling rig activity. FDF's business is also affected by the stability of the U.S. domestic oil and gas exploration and the level of reliance on foreign oil and the regulations in the industry in general, specifically around use of cleaner fuels.

Decreases in growth of domestic energy exploration and production of oil and natural gas could negatively impact FDF's earnings and cash flows. In addition, new federal and state regulations around natural gas drilling in an environmentally sustainable manner could also impact FDF's services as its customers may be negatively impacted by adopting these regulations.

The principal executive offices of FDF are located at 240 Jasmine Road, Crowley, Louisiana 70526.

Table of Contents

Unconsolidated Significant Subsidiaries

In accordance with the SEC's Regulation S-X and GAAP, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest. We had certain unconsolidated subsidiaries as of September 30, 2015 and 2014 and for the years ended September 30, 2015, 2014 and 2013, that met at least one of the significant conditions of the SEC's Regulation S-X. Accordingly, pursuant to Rule 4-08 of Regulation S-X, summarized, comparative financial information is presented below for our unconsolidated significant subsidiaries as of September 30, 2015 and 2014 and for the years ended September 30, 2015, 2014 and 2013.

		As of September 30,			For the Year Ended September 30,		
Portfolio Company	**Balance Sheet**	**2015**	**2014**	**Income Statement**	**2015**	**2014**	**2013**
Defiance Integrated Technologies, Inc.	Current assets	**$ 7,006**	$ 8,244	Net sales	**$ 28,345**	$ 28,565	$ 24,012
	Noncurrent assets	**12,782**	11,237	Gross profit	**5,049**	6,589	4,282
	Current liabilities	**2,282**	4,056	Net (loss) income	**(447)**	2,040	597
	Noncurrent liabilities	**10,854**	8,370				
GFRC Holdings LLC	Current assets	**2,177**	3,868	Net sales	**6,387**	10,452	10,288
	Noncurrent assets	**641**	11,022	Gross profit (loss)	**(370)**	1,488	2,243
	Current liabilities	**4,241**	3,530	Net loss	**(12,839)**	(1,413)	(618)
	Noncurrent liabilities	**13,741**	13,727				
Lindmark Acquisition, LLC(A)	Current assets	**488**	983	Net sales	**38**	62	7,236
	Noncurrent assets	**88**	270	Gross profit (loss)	**15**	(60)	4,346
	Current liabilities	**—**	16	Net (loss) income	**(643)**	(1,910)	8,408
	Noncurrent liabilities	**7,137**	7,141				
Midwest Metal Distribution, Inc.(B)	Current assets	**—**	31,371	Net sales	**17,148**	102,485	98,691
	Noncurrent assets	**—**	6,668	Gross profit	**1,888**	12,495	11,362
	Current liabilities	**—**	47,663	Net loss	**(1,181)**	(1,250)	(1,892)
	Noncurrent liabilities	**—**	48				
RBC Acquisition Corp.	Current assets	**6,202**	7,928	Net sales	**11,710**	13,060	13,786
	Noncurrent assets	**19,733**	21,304	Gross profit	**368**	1,897	1,498
	Current liabilities	**5,577**	30,308	Net loss	**(4,768)**	(5,351)	(3,586)
	Noncurrent liabilities	**29,876**	2,998				
Sunshine Media Group, Inc.	Current assets	**3,413**	3,481	Net sales	**16,083**	15,707	14,977
	Noncurrent assets	**1,308**	1,453	Gross profit	**7,286**	7,523	6,304
	Current liabilities	**8,311**	7,198	Net loss	**(1,406)**	(439)	(1,832)
	Noncurrent liabilities	**29,137**	29,394				
Viapack, Inc.(C)	Current assets	**—**	—	Net sales	**—**	—	3,848
	Noncurrent assets	**—**	—	Gross profit	**—**	—	456
	Current liabilities	**—**	—	Net loss	**—**	—	(154)
	Noncurrent liabilities	**—**	—				

(A) Substantially all assets were sold in September 2013.

(B) Investment exited in December 2014. The financial information presented for the income statement for the year ended September 30, 2015 is from October 1, 2014 through the date of exit in November 2014.

(C) Investment exited in November 2012. The financial information presented for the income statement for the year ended September 30, 2013 is from October 1, 2012 through the date of exit in November 2012.

Defiance Integrated Technologies, Inc. ("Defiance") was incorporated in Delaware on May 22, 2009 and is headquartered in Napoleon, Ohio. Defiance is a leading manufacturer of axle nut and washer systems for heavy (Class 8) truck industry in North America and also provides a wheel bearing retainer nut, used primarily on light trucks, and brake cable tension limiters.

GFRC was incorporated in Texas on August 27, 2007 and is headquartered in Garland, Texas. GFRC designs, engineers, fabricates and delivers glass fiber reinforced concrete panels for commercial construction.

Lindmark was incorporated in Delaware on January 15, 2009 and is a single member limited liability company. Lindmark was primarily engaged in the outdoor advertising business operating approximately 1,600 billboard advertising displays in six states.

Midwest Metal was incorporated in Delaware, on May 18, 2010 and is a distributor and processor of custom cut aluminum and stainless steel sheet plate and bar products. Midwest Metal is headquartered in Midwest Metal, Ohio.

RBC Acquisition Corp. ("RBC") was incorporated in Delaware on March 7, 2013 and is a Food and Drug Administration inspected developer manufacturer of active pharmaceutical ingredients. RBC is headquartered in St Louis, Missouri.

Sunshine Media Group, Inc. ("Sunshine") was incorporated in Delaware on December 20, 2000 and is headquartered in Chattanooga, Tennessee. Sunshine is a fully integrated publishing, media and marketing services company that provides custom media and branded content solutions across multiple platforms, with an emphasis on healthcare and financial services.

Viapack, Inc. ("Viapack") was incorporated in Delaware on March 31, 2004 and is headquartered in Dalton, Georgia. Viapack was a regional manufacturer and marketer of polyethylene film serving the packaging and plastic film converting industries.

Table of Contents

MANAGEMENT

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors currently consists of nine members, six of whom are not considered to be "interested persons" of ours, as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our Board of Directors elects our officers, who serve at the discretion of the Board of Directors.

Board of Directors

Under our bylaws, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class selected for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Holders of our common stock and preferred stock vote together as a class for the election of directors, except that the holders of our term preferred stock have the sole right to elect two of our directors. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Information regarding our Board of Directors is as follows (the address for each director is c/o Gladstone Capital Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102):

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
David Gladstone	73	Chairman of the Board and Chief Executive Officer(1)(2)(6)	2001	2016
Terry L. Brubaker	72	Vice Chairman, Chief Operating Officer, Asst. Secretary and Director(1)(2)(6)	2001	2018
Independent Directors				
Anthony W. Parker	70	Director(2)(3)(6)(7)	2001	2017
Michela A. English	65	Director(3)(7)	2002	2017
Paul W. Adelgren	72	Director(4)(5)(7)	2003	2016
John H. Outland	70	Director(4)(5)(7)	2003	2016
Walter H. Wilkinson, Jr.	69	Director(4)(5)(7)(8)	2014	2018
Caren D. Merrick	55	Director(3)(7)(8)	2014	2018

(1) Interested person as defined in Section 2(a)(19) of the 1940 Act due to the director's position as our officer and/or employment by the Adviser.
(2) Member of the executive committee.
(3) Member of the audit committee.
(4) Member of the ethics, nominating, and corporate governance committee.
(5) Member of the compensation committee.
(6) Member of the offering committee.
(7) Each independent director, serves as an alternate member of each committee for which they do not serve as a regular member. Messrs. Adelgren, Outland and Wilkinson serve as alternate members of the audit committee; Mr. Parker and Mses. English and Merrick serve as alternates on the compensation committee; Mr. Parker and Mses. English and Merrick serve as alternates on the ethics, nominating and corporate governance committee and Messrs. Adelgren, Outland and Wilkinson and Mses. English and Merrick serve as alternates on the offering committee. Alternate members of the committees serve and participate in meetings of the committees only in the event of an absence of a regular member of the committee.
(8) Caren D. Merrick and Walter H. Wilkinson, Jr. were elected, solely by the preferred stockholders, at the Company's 2015 Annual Meeting of Stockholders for a term expiring in 2018.

The biographical information for each of our directors, includes all of the public company directorships held by such directors for the past five years.

Independent Directors (in alphabetical order)

Paul W. Adelgren. Mr. Adelgren has served as a director since January 2003. Mr. Adelgren has also served as a director of Gladstone Commercial since August 2003, a director of Gladstone Investment since June 2005 and a director of Gladstone Land since January 2013. From 1997 to the present, Mr. Adelgren has served as the pastor of Missionary Alliance Church. From 1991 to 1997, Mr. Adelgren was pastor of New Life Alliance Church. From 1988 to 1991, Mr. Adelgren was vice president—finance and materials for Williams & Watts, Inc., a logistics management and procurement business located in Fairfield, NJ. Prior to joining Williams & Watts, Mr. Adelgren served in the United States Navy, where he served in a number of capacities, including as the director of the Strategic Submarine Support Department, as an executive officer at the Naval Supply Center, and as the director of the Joint Uniform Military Pay System. He is a retired Navy Captain. Mr. Adelgren holds an MBA from Harvard Business School and a BA from the University of Kansas. Mr. Adelgren was selected to serve as an independent director on our Board due to his strength and experience in ethics, which also led to his appointment to the chairmanship of our Ethics, Nominating & Corporate Governance Committee, as well as his past service on our Board since 2003.

Michela A. English. Ms. English has served as director since June 2002. Ms. English is President and CEO of Fight for Children, a non-profit charitable organization focused on providing high quality education and health care services to underserved youth in Washington, D.C. Ms. English has also been a director of Gladstone Commercial since August 2003, a director of Gladstone Investment since June 2005 and a director of Gladstone Land since January 2013. From March 1996 to March 2004, Ms. English held several positions with Discovery Communications, Inc., including president of Discovery Consumer Products, president of Discovery Enterprises Worldwide and president of Discovery.com. From 1991 to 1996, Ms. English served as senior vice president of the National Geographic Society and was a member of the National Geographic Society's Board of Trustees and Education Foundation Board. Prior to 1991, Ms. English served as vice president, corporate planning and business development for Marriott Corporation and as a senior engagement manager for McKinsey & Company. Ms. English currently serves as director of the Educational Testing Service (ETS), as a director of D.C. Preparatory Academy, a director of the District of Columbia Public Education Fund, a trustee of the Corcoran Museum of Art, a director of the Society for Science and the Public and as a member of the Virginia Institute of Marine Science Council. Ms. English is an emeritus member of the board of Sweet Briar College. Ms. English holds a Bachelor of Arts in International Affairs from Sweet Briar College and a Master of Public and Private Management degree from Yale University's School of Management. Ms. English was selected to serve as an independent director on our Board due to her greater than twenty years of senior management experience at various corporations and non-profit organizations as well as her past service on our Board since 2002.

Caren D. Merrick. Ms. Merrick has served as our director and as a director of Gladstone Commercial, Gladstone Land and Gladstone Investment since November 2014. Ms. Merrick is the founder of, and since 2014 has served as the chief executive officer of Pocket Mentor, a mobile application and digital publishing company focused on leadership development and career advancement. Since 2004 she has served as a partner with Bibury Partners, an investment and advisory firm that focuses on enterprise and consumer technology sectors. In addition, she has served as a board member of the Metropolitan Washington Airports Authority since 2012 Ms. Merrick co-founded and from 1996 to 2001 served as an executive vice president of, webMethods, Inc., a company that provides business-to-business enterprise software solution for Global 2000 companies. Ms. Merrick served on the boards of directors of VisualCV, a venture-backed online resume and corporate talent management solution, from 2008—2011, Inova Healthcare Services from 2001—2005, and the Northern Virginia Technology Council from 2000—2004 and WashingtonFirst Bankshares, Inc., since April 2015. Ms. Merrick previously served as a member of the Technology Subgroup on the Virginia Governor's Economic Development and Jobs Creation Commission from 2010—2011. Ms. Merrick also was director of AOL.com for America Online from 1996—1997, and has also been a consultant for Australia Post, a $5 billion government business enterprise that provides postal, retail and financial, logistics and fulfillment services across Australia. Ms. Merrick is also a founding investor in Venture Philanthropy Partners, a philanthropic investment organization that mentors nonprofit leaders in growing programs to improve the lives of children from low income families in the National Capital Region. She has also served on the boards of several Washington, DC area charities, including Greater DC Cares, CharityWorks, the Fairfax Symphony and the Langley School. She is an active member of ARCS—Advancing Science in America—Achievement Awards for College Scientists. She also currently serves on the Board of the Global Good Fund and the Women in Technology's Leadership Foundry. Ms. Merrick received a BA in political science from the University of California, Los Angeles, and has received a Certificate of Director Education from the National Association of Corporate Directors. Ms. Merrick was selected to serve as an independent director on our Board due to her knowledge and experience in operating a business and her understanding of the small business area through experiences overseeing the successful growth of her own business and several large and small businesses, charities and non-profits.

John H. Outland. Mr. Outland has served as a director since December 2003. Mr. Outland has also served as a director of Gladstone Commercial since December 2003, a director of Gladstone Investment since June 2005 and a director of Gladstone Land since January, 2013. From March 2004 to June 2006, he served as vice president of Genworth Financial, Inc. From 2002 to March 2004, Mr. Outland served as a managing director for 1789 Capital Advisors, where he provided market and transaction structure analysis and advice on a consulting basis for multifamily commercial mortgage purchase programs. From 1999 to 2001, Mr. Outland served as vice president of mortgage-backed securities at Financial Guaranty Insurance Company where he was team leader for bond insurance transactions, responsible for sourcing business, coordinating credit, loan files, due diligence and legal review processes, and negotiating structure and business issues. From 1993 to 1999, Mr. Outland was senior vice president for Citicorp Mortgage Securities, Inc., where he securitized non-conforming mortgage product. From 1989 to 1993, Mr. Outland was vice president of real estate and mortgage finance for Nomura Securities International, Inc., where he performed due diligence on and negotiated the financing of commercial mortgage packages in preparation for securitization. Mr. Outland holds an MBA from Harvard Business School and a bachelor's degree in Chemical Engineering from Georgia Institute of Technology. Mr. Outland was selected to serve as an independent director on our Board due to his more than twenty years of experience in the real estate and mortgage industry as well as his past service on our Board since 2003.

Anthony W. Parker. Mr. Parker has served as a director since August 2001. Mr. Parker has also served as a director of Gladstone Commercial since August 2003, a director of Gladstone Investment since June 2005 and a director of Gladstone Land since January, 2013. In January 2011, Mr. Parker was elected as treasurer of the Republican National Committee. In 1997 Mr. Parker founded Parker Tide Corp., formerly known as Snell Professional Corp. Parker Tide Corp. is a government contracting company providing mission critical solutions to the Federal government. From 1992 to 1996, Mr. Parker was chairman of, and a 50 percent stockholder of, Capitol Resource Funding, Inc., or CRF, a commercial finance company. Mr. Parker practiced corporate and tax law for over 15 years: from 1980 to 1983, he practiced at Verner, Liipfert, Bernhard & McPherson and from 1983 to 1992, in private practice. From 1973 to 1977, Mr. Parker served as executive assistant to the administrator of the U.S. Small Business Administration. Mr. Parker received his J.D. and Masters in Tax Law from Georgetown Law Center and his undergraduate degree from Harvard College. Mr. Parker was selected to serve as an independent director on our Board due to his expertise and wealth of experience in the field of corporate taxation as well as his past service on our Board since our inception. Mr. Parker's knowledge of corporate tax was instrumental in his appointment to the chairmanship of our Audit Committee.

Walter H. Wilkinson, Jr. Mr. Wilkinson has served on our Board and on the boards of directors of Gladstone Investment, Gladstone Commercial and Gladstone Land since October 2014. Mr. Wilkinson is the founder and a general partner of Kitty Hawk Capital, a venture capital firm established in 1980 and based in Charlotte, North Carolina. He has served on the board of the N.C. State University Foundation and has previously served as Chairman of its Graduate School Advisory Board where he endowed the Wilkinson Research Ethics Fellowship. For many years he served on the board and chairman of the finance committee of the Ben Craig Center, a business incubator affiliated with the University of N.C. at Charlotte. He is a past member and director of the National Venture Capital Association and is a past member and Chairman of the National Association of Small Business Investment Companies. Mr. Wilkinson was founding Chairman of the Carolinas Chapter of the National Association of Corporate Directors (NACD), currently serves on its board, and is a NACD Leadership Fellow, having completed the NACD's program for corporate directors and its continuing educational requirements to maintain this level of recognition. Mr. Wilkinson served as a director of R.F. Micro Devices, Inc. (NASDAQ:RFMD) from 1992, serving as its Chairman of its Board of Directors from July 2008, until its $11 billion merger with Triquint Semiconductor, Inc. (TQNT) in January, 2015 to form QORVO (QRVO). He currently serves as Lead Independent Director for QORVO. Mr. Wilkinson also serves or has served as a director of numerous venture-backed companies, both public and private. Mr. Wilkinson is a graduate of N.C. State University (BS) and the Harvard Graduate School of Business Administration (MBA). Mr. Wilkinson was selected to serve as an independent director on our Board due to his over 40 year career in the venture capital industry where he has helped to start or expand dozens of rapidly growing companies in a variety of industries. Mr. Wilkinson brings a unique perspective to our Board from his experience in overseeing the successful growth and evolution of numerous businesses and understanding the challenges of leading both private and public companies through changing economic conditions.

Interested Directors

David Gladstone. Mr. Gladstone is our founder and has served as our chief executive officer and chairman of our Board of Directors since our inception. He also served as our interim president from February 2013 to January 2014. Mr. Gladstone is also the founder of the Adviser and has served as its chief executive officer and chairman of its board of directors since its inception. Mr. Gladstone also founded and serves as the chief executive officer and chairman of the boards of directors of our affiliates, Gladstone Investment, Gladstone Commercial and Gladstone Land (of which he is also the president). Mr. Gladstone has also served on the board of managers of Gladstone Securities, LLC, a broker dealer that is an affiliate of the ours, since 2010. Prior to founding the Gladstone Companies, Mr. Gladstone served as either chairman or vice chairman of the board of directors of American Capital Strategies, Ltd., a publicly traded leveraged buyout fund and mezzanine debt finance company, from June 1997 to August 2001. From 1974 to February 1997, Mr. Gladstone held various positions, including chairman and chief executive officer, with Allied Capital Corporation (a mezzanine debt lender), Allied Capital Corporation II (a subordinated debt lender), Allied Capital Lending Corporation (a small business lending company), Allied Capital Commercial Corporation (a real estate investment company), and Allied Capital Advisers, Inc., a registered investment adviser that managed the Allied companies. The Allied companies were the largest group of publicly-traded mezzanine debt funds in the United States and were managers of two private venture capital limited partnerships (Allied Venture Partnership and Allied Technology Partnership) and a private REIT (Business Mortgage Investors). From 1992 to 1997, Mr. Gladstone served as a director, president and chief executive officer of Business Mortgage Investors, a privately held mortgage REIT managed by Allied Capital Advisers Inc., which invested in loans to small and medium-sized businesses. Mr. Gladstone is also a past director of Capital Automotive REIT, a real estate investment trust that purchases and net leases real estate to automobile dealerships. Mr. Gladstone served as a director of The Riggs National Corporation (the parent of Riggs Bank) from 1993 to May 1997 and of Riggs Bank from 1991 to 1993. He has served as a trustee of The George Washington University and currently is a trustee emeritus. He is a past member of the Listings and Hearings Committee of the National Association of Securities Dealers, Inc. He is a past member of the advisory committee to the Women's Growth Capital Fund, a venture capital firm that finances women-owned small businesses. Mr. Gladstone was the founder and managing member of The Capital Investors, LLC, a group of angel investors, and is currently a member emeritus. He is also the past chairman and past owner of Coastal Berry Company, LLC, a large strawberry farming operation in California. Mr. Gladstone holds an MBA from the Harvard Business School, an MA from American University and a BA from the University of Virginia. Mr. Gladstone has co-authored two books on financing for small and medium-sized businesses, *Venture Capital Handbook* and *Venture Capital Investing.* Mr. Gladstone was selected to serve as a director on our Board due to the fact that he is our founder and has greater than thirty years of experience in the industry, including his service as our chairman and chief executive since our inception.

Terry Lee Brubaker. Mr. Brubaker has been our chief operating officer and a director since our inception in 2001 and served as our secretary from 2001 to October 2012. He also served as our president from May 2001 through April 2004, when he assumed the duties of vice chairman. Mr. Brubaker has also served as a director of the Adviser since its inception. He also served as president of the Adviser from its inception through February

2006, when he assumed the duties of vice chairman and chief operating officer. Mr. Brubaker also served as secretary of the Adviser from 2006 to February 2011. He has served as vice chairman, chief operating officer and as a director of Gladstone Investment since its inception and as secretary from its inception until October 2012. Mr. Brubaker has also served chief operating officer and as a director of Gladstone Commercial since February 2003, and as president from February 2003 through July 2007, when he assumed the duties of vice chairman and as secretary from 2003 through October 2012. Mr. Brubaker has also served as the vice chairman and chief operating officer of Gladstone Land since April 2007. In March 1999, Mr. Brubaker founded and, until May 1, 2003, served as chairman of Heads Up Systems, a company providing process industries with leading edge technology. From 1996 to 1999, Mr. Brubaker served as vice president of the paper group for the American Forest & Paper Association. From 1992 to 1995, Mr. Brubaker served as president of Interstate Resources, a pulp and paper company. From 1991 to 1992, Mr. Brubaker served as president of IRI, a radiation measurement equipment manufacturer. From 1981 to 1991, Mr. Brubaker held several management positions at James River Corporation, a forest and paper company, including vice president of strategic planning from 1981 to 1982, group vice president of the Groveton Group and Premium Printing Papers from 1982 to 1990, and vice president of human resources development in 1991. From 1976 to 1981, Mr. Brubaker was strategic planning manager and marketing manager of white papers at Boise Cascade. Previously, Mr. Brubaker was a senior engagement manager at McKinsey & Company from 1972 to 1976. Prior to 1972, Mr. Brubaker was a U.S. Navy fighter pilot. Mr. Brubaker holds an MBA from the Harvard Business School and a BSE from Princeton University. Mr. Brubaker was selected to serve as a director on our Board due to his more than thirty years of experience in various mid-level and senior management positions at several corporations as well as his past service on our Board since our inception.

Executive Officers and Certain Other Officers Who Are Not Directors

Information regarding our executive officers and certain other officers who are not directors is as follows (the address for each executive officer is c/o Gladstone Capital Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102):

Name	Age	Position
Michael LiCalsi	44	General Counsel and Secretary
Robert L. Marcotte	57	President
Melissa Morrison	42	Chief Financial Officer
Nicole Schaltenbrand	33	Chief Accounting Officer

Michael LiCalsi. Mr. LiCalsi is general counsel for all of the affiliated Gladstone companies and has served in this capacity since October 2009. He has also served as secretary of all of the affiliated Gladstone companies since October 2012. In addition, Mr. LiCalsi is the president of the Administrator, since July 2013, and serves as managing principal of Gladstone Securities and as a member of its board of managers, since 2010.

Robert L. Marcotte. Mr. Marcotte has served as our president since January 2014 and as an executive managing director of the Adviser since December 2013. From 2002 to December 2013 Mr. Marcotte worked at MCG Capital Corporation, serving as executive vice president and co-head of asset management for MCG Capital Corporation since 2007, where he was responsible for investment origination, evaluation, underwriting and portfolio management for the $500+ million publically traded business development company. He also served on MCG Capital Corporation's investment committee since 2007. Mr. Marcotte was chief financial officer for Aleron, Inc, a wholesale internet access and network services provider, from 2001 to 2002, and worked in the investment banking division of Goldman, Sachs & Co. from 1998 to 2001 and Merrill Lynch & Co. from 1992 to 1998. Mr. Marcotte worked in the project financing department for GE Capital from 1986 to 1992 and as a banking officer at Mellon Bank from 1980 to 1986. Mr. Marcotte received a Bachelor of Science in Business Administration from Georgetown University.

Melissa Morrison. Ms. Morrison served as our chief accounting officer from November 2011 to April 2013 when she was appointed chief financial officer. In July 2014 Ms. Morrison was appointed assistant treasurer and served until her appointment as treasurer in January 2015. From January 2015 until July 2015 she served as chief financial officer and treasurer of Gladstone Investment and served as acting principal financial officer of Gladstone Investment from October 2015 to December 2015. From September 2007 to September 2011, Ms. Morrison served in various positions providing accounting and finance services including accounting and sales finance controller roles to Tandberg, Inc., which was acquired by Cisco Systems, Inc. in April 2010. Prior to September 2007, Ms. Morrison worked at PRA International, Inc. and Ericsson NetQual Inc. in accounting manager and assistant controller positions, respectively. Her career began as an auditor at PricewaterhouseCoopers, LLP. She received a BBA from The College of William and Mary and is a licensed CPA in the Commonwealth of Virginia.

Nicole Schaltenbrand. Ms. Schaltenbrand has served as our chief accounting officer from November 2015. From May 2012 to November 2015, Ms. Schaltenbrand served as a senior manager of SEC reporting and accounting policy at National Rural Utilities Cooperative Finance Corporation. From September 2004 through May 2012, Ms. Schaltenbrand worked in the assurance practice at KPMG LLP where she attained the level of senior audit manager. She received of Bachelor of Science in Accounting from the Pennsylvania State University and is a licensed CPA in the Commonwealth of Virginia.

Employment Agreements

We are not a party to any employment agreements. Messrs. Gladstone and Brubaker have entered into employment agreements with the Adviser, whereby they are direct employees of the Adviser.

Director Independence

As required under NASDAQ listing standards, our Board of Directors annually determines each director’s independence, and continually assesses the independence of each of the directors throughout the year. The NASDAQ listing standards provide that a director of a business development company is considered to be independent if he or she is not an “interested person” of ours, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an “interested person” to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with us.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent auditors, the Board has affirmatively determined that the following six directors are independent directors within the meaning of the applicable NASDAQ listing standards: Messrs. Adelgren, Outland, Parker and Wilkinson and Mses. English and Merrick. In making this determination, the Board found that none of these directors had a material or other disqualifying relationship with us. Mr. Gladstone, the chairman of our Board of Directors and chief executive officer and Mr. Brubaker, our vice chairman and chief operating officer, are not independent directors by virtue of their positions as our officers or as officers of the Adviser or their employment by the Adviser.

Corporate Leadership Structure

Mr. Gladstone has served as chairman of our Board and our chief executive officer since our inception and as our interim president from February 2013 to January 2014. Our Board believes that our chief executive officer is best situated to serve as chairman because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. In addition, Mr. Adelgren, one of our independent directors, serves as the lead director for all meetings of our independent directors held in executive session. The lead director has the responsibility of presiding at all executive sessions of our Board, consulting with the chairman and chief executive officer on Board and committee meeting agendas, acting as a liaison between management and the independent directors and facilitating teamwork and communication between the independent directors and management.

Our Board believes the combined role of chairman and chief executive officer, together with an independent Lead Director, is in the best interest of stockholders because it provides the appropriate balance between strategic development and independent oversight of risk management. In coming to this conclusion, the Board considered the importance of having an interested chairperson that is familiar with our day-to-day management activities, our portfolio companies and the operations of the Adviser. The Board concluded that the combined role enhances, among other things, the Board's understanding of our investment portfolio, business, finances and risk management efforts. In addition, the Board believes that Mr. Gladstone's employment by the Adviser better allows for the efficient mobilization of the Adviser's resources at the Board's behest and on its behalf.

Committees of Our Board of Directors

Executive Committee. Membership of our executive committee is comprised of Messrs. Gladstone, Brubaker and Parker. The executive committee has the authority to exercise all powers of our Board of Directors except for actions that must be taken by a majority of independent directors or the full Board of Directors under the Maryland General Corporation Law, including electing our chairman and president. Mr. Gladstone serves as chairman of the executive committee. The executive committee did not meet during the last fiscal year.

Audit Committee. The Audit Committee oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. It evaluates the performance and assesses the qualifications of the independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review our annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm, including reviewing our disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." During fiscal year 2015, the Audit Committee was composed of Messrs. Parker (Chairperson) and Outland and Mses. English and Merrick (with Ms. Merrick joining the committee in November 2014). Messrs. Adelgren and Wilkinson currently serve as alternate members of the Audit Committee. Alternate members of the Audit Committee serve and participate in meetings of the Audit Committee only in the event of an absence of a regular member of the Audit Committee. The Audit Committee met eight times during the last fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on our website at *www.gladstonecapital.com*.

Our Board has determined that all members and alternate members of our Audit Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). No members of the Audit Committee received any compensation from us during the last fiscal year other than directors' fees. Our Board has unanimously determined all Audit Committee members and alternate members are financially literate under current NASDAQ rules and that Messrs. Adelgren, Outland, Parker and Wilkinson and Mses. English and Merrick each qualify as an "audit committee financial expert," as defined in applicable SEC rules. Our Board made a qualitative assessment of the members' level of knowledge and experience based on a number of factors, including formal education and experience. Messrs. Parker and Outland and Mses. English and Merrick also serve on the audit committees of Gladstone Commercial Corporation, Gladstone Land Corporation and Gladstone Investment Corporation. Our Audit Committee's current alternate members, Messrs. Adelgren and Wilkinson, also serve as alternate members on the audit committees of Gladstone Commercial Corporation, Gladstone Land Corporation and Gladstone Investment Corporation. Our Board has determined that this simultaneous service does not impair the respective directors' ability to effectively serve on our Audit Committee.

Compensation Committee. The Compensation Committee operates pursuant to a written charter that is available to stockholders on our website at *www.gladstonecapital.com*. The Compensation Committee conducts periodic reviews of our investment advisory and management agreement with our Adviser (the "Advisory Agreement") and our administration agreement with our Administrator (the "Administration Agreement") to evaluate whether the fees paid to our Adviser and our Administrator under the agreements are in the best interests of us and our stockholders. The committee considers in such periodic reviews, among other things, whether the fees paid to our Adviser and our Administrator are reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory and Administration Agreements are being satisfactorily performed. The Compensation Committee also reviews with management our Compensation Discussion and Analysis to consider whether to recommend that it be included in proxy statements and other filings. During the last fiscal year, the Compensation Committee was composed of Messrs. Outland (Chairperson), Adelgren and Wilkinson (with Mr. Wilkinson appointed to the committee in October 2014). Mr. Parker and Mses. English and Merrick currently serve as alternate members of the Compensation Committee. Alternate members of the Compensation Committee serve and participate in meetings of the Compensation Committee only in the event of an absence of a regular member of the Compensation Committee. The Compensation Committee met four times during the last fiscal year.

Our Board has determined that all members and alternate members of our Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). No members of the Compensation Committee received compensation from us during the last fiscal year other than directors' fees. Messrs. Outland, Adelgren and Wilkinson also serve on the compensation committees of Gladstone Commercial Corporation, Gladstone Land Corporation and Gladstone Investment Corporation. Our Compensation Committee's current alternate members, Mr. Parker and Ms. English also serve as alternate members on the compensation committees of Gladstone Commercial Corporation, Gladstone Land Corporation and Gladstone Investment Corporation. Our Board has determined that this simultaneous service does not impair the respective directors' ability to effectively serve on our Compensation Committee.

Ethics, Nominating and Corporate Governance Committee. The Ethics Committee is responsible for identifying, reviewing and evaluating candidates to serve as our directors (consistent with criteria approved by our Board), reviewing and evaluating incumbent directors, recommending to our Board for selection candidates for election to our Board, making recommendations to our Board regarding the membership of the committees of our Board, assessing the performance of our Board, and developing our corporate governance principles. Our Ethics Committee charter can be found on our website at *www.gladstonecapital.com*. The Ethics Committee also considers nominations from stockholders pursuant to our bylaws given that such nomination is received in accordance to the procedure for submitting nominations or proposals before an annual or special meeting of our stockholders, which we refer to as the stockholder notice procedure. For additional information on stockholder notice procedure, see "Certain Provisions of Maryland Law and of our Articles of Incorporation and Bylaws—Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals" below.

During fiscal year 2015, membership of the Ethics Committee was composed of Messrs. Adelgren (Chairperson), Outland and Wilkinson (appointed to the committee in October 2014). Mr. Parker and Mses. English and Merrick currently serve as alternate members of the committee. Alternate members of the Ethics Committee serve and participate in meetings of the committee only in the event of an absence of a regular member of the committee. Each member and alternate member of the Ethics Committee is independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Ethics Committee met four times during the last fiscal year.

The Offering Committee. The Offering Committee, which is composed of Messrs. Gladstone (Chairman), Brubaker and Parker, with each of our other current and future directors who meet the independence requirements of NASDAQ serving as alternates for Mr. Parker, is responsible for assisting the Board in discharging its responsibilities regarding the offering from time to time of our securities. The Offering Committee has all powers of the Board that are necessary or appropriate and may lawfully be delegated to the

Offering Committee in connection with an offering of our securities. Our Offering Committee was formed in January 2013, and operates pursuant to a written charter, which can be found in the Corporate Governance section of our website at *www.gladstonecapital.com* . The Offering Committee did not meet during the last fiscal year.

The Valuation Committee. The Valuation Committee, which is composed of Ms. Merrick (Chairman), and Messrs. Outland, Parker and Wilkinson, with each of our other current and future independent directors serving as alternates, is responsible for assisting the Board in determining the fair value of our investment portfolio or other assets in compliance with the Investment Company Act of 1940, as amended, and assisting the Board's compliance with legal and regulatory requirements, as well as risk management, related to valuation. The Valuation Committee was formed in July 2015, and operates pursuant to a written charter. The Valuation Committee met once during the last fiscal year.

Qualifications for Director Candidates. The Ethics, Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Ethics, Nominating and Corporate Governance Committee also considers such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to our affairs, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of our stockholders. However, the Ethics, Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of our Board, our operating requirements and the long-term interests of our stockholders.

Though we have no formal policy addressing diversity, the Ethics, Nominating and Corporate Governance Committee and Board believe that diversity is an important attribute of directors and that our Board should be the culmination of an array of backgrounds and experiences and be capable of articulating a variety of viewpoints. Accordingly, the Ethics, Nominating and Corporate Governance Committee considers in its review of director nominees factors such as values, disciplines, ethics, age, gender, race, culture, expertise, background and skills, all in the context of an assessment of the perceived needs of us and our Board at that point in time in order to maintain a balance of knowledge, experience and capability.

In the case of incumbent directors whose terms of office are set to expire, the Ethics, Nominating and Corporate Governance Committee reviews such directors' overall service to us during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Ethics, Nominating and Corporate Governance Committee also determines whether such new nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Ethics, Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Ethics, Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of our Board. The Ethics, Nominating and Corporate Governance Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to our Board by majority vote. To date, the Ethics, Nominating and Corporate Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

Nominations made by stockholders must be made by written notice (setting forth the information required by our bylaws) received by the secretary of our company at least 120 days in advance of an annual meeting or within 10 days of the date on which notice of a special meeting for the election of directors is first given to our stockholders.

Meetings. During the fiscal year ended September 30, 2015, each member of our Board of Directors attended 75% or more of the aggregate of the meetings of our Board of Directors and of the committees on which he or she served.

Oversight of Risk Management

Since September 2007, Jack Dellafiora has served as our chief compliance officer and, in that position, Mr. Dellafiora directly oversees our enterprise risk management function and reports to our chief executive officer, the Audit Committee and our Board in this capacity. Mr. Dellafiora also serves as chief compliance officer of Gladstone Commercial, Gladstone Land, Gladstone Investment, the Adviser, the Administrator and Gladstone Securities. Mr. Dellafiora also serves as a managing principal of and is on the board of managers of Gladstone Securities, LLC. He additionally serves as the chief financial officer of the Adviser and the Administrator. In fulfilling his risk management responsibilities, Mr. Dellafiora works closely with our general counsel and other members of senior management including, among others, our chief executive officer, president, chief financial officer, treasurer and chief operating officer.

Our Board, in its entirety, plays an active role in overseeing management of our risks. Our Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Each of the following committees of our Board plays a distinct role with respect to overseeing management of our risks:

- *Audit Committee*: Our Audit Committee oversees the management of enterprise risks. To this end, our Audit Committee meets at least annually (i) to discuss our risk management guidelines, policies and exposures and (ii) with our independent registered public accounting firm to review our internal control environment and other risk exposures.
- *Compensation Committee*: Our Compensation Committee oversees the management of risks relating to the fees paid to our Adviser and Administrator under the Advisory Agreement and the Administration Agreement, respectively. In fulfillment of this duty, the Compensation Committee meets at least annually to review these agreements. In addition, the Compensation Committee reviews the performance of our Adviser and our Administrator to determine whether the fees paid to our Adviser and Administrator were reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory Agreement and the Administration Agreement were being satisfactorily performed.
- *Ethics, Nominating and Corporate Governance Committee*: Our Ethics Committee manages risks associated with the independence of our Board and potential conflicts of interest.
- *Valuation Committee*: Our Valuation Committee manages risks associated with valuation of our investment portfolio and other assets. In addition the Valuation Committee facilitates communication between the Board, our senior and financial management and our independent public accountants related to valuation matters.

While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the committees each report to our Board on a regular basis to apprise our Board regarding the status of remediation efforts of known risks and of any new risks that may have arisen since the previous report.

Summary of Compensation

Executive Compensation

None of our executive officers receive direct compensation from us. We do not currently have any employees and do not expect to have any employees in the foreseeable future. The services necessary for the operation of our business are provided to us by our officers and the other employees of our Adviser and Administrator, pursuant to the terms of the Advisory and Administration Agreements, respectively.

Mr. Gladstone, our chairman, chief executive officer and president and Mr. Brubaker, our vice chairman, chief operating officer and assistant secretary, are both employees of and compensated directly by our Adviser. Ms. Morrison, our chief financial officer and treasurer, is an employee of our Administrator. Under the Administration Agreement, we reimburse our Administrator for our allocable portion of Ms. Morrison's salary. During our last fiscal year, our allocable portion of Ms. Morrison's compensation paid by our Administrator was approximately $44,000 of her salary, $20,000 of her bonus, and $9,000 of the cost of her benefits.

Certain investment banking services are provided directly to most of our portfolio companies by Gladstone Securities, a broker dealer, which is 100% indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Fees for these services are billed to and paid by the portfolio company to Gladstone Securities in an amount not greater than 1% of our investment in the portfolio company at closing. Our board of directors reviews, approves and ratifies these fees each quarter.

During the fiscal year ended September 30, 2015, we incurred total fees of approximately $8.1 million to our Adviser under the Advisory Agreement, $1.0 million to our Administrator under the Administration Agreement and $0.9 million in fees for investment banking services were paid by certain of our portfolio companies to Gladstone Securities pursuant to separate agreements between such portfolio companies and Gladstone Securities. For a discussion of the terms of our Advisory and Administration Agreements and transactions with Gladstone Securities, see "*Certain Transactions—Investment Advisory and Management Agreement"* and "*Certain Transactions—Investment Banking Services*."

Compensation of Directors

The following table shows, for the fiscal year ended September 30, 2015, compensation awarded to or paid to our current directors who are not executive officers, which we refer to as our non-employee directors, for all services rendered to us during this period. No compensation is paid to directors who are our executive officers for their service on our Board of Directors. We do not issue stock options and therefore have no information to report relating to stock option grants and exercises for our directors.

Name	Aggregate Compensation from Fund	Total Compensation from Fund and Fund Complex Paid to Directors(1)
Paul W. Adelgren	$ 33,000	$ 134,000
Michela A. English	$ 32,000	$ 131,000
Caren D. Merrick(2)	$ 24,000	$ 119,000
John H. Outland	$ 41,000	$ 167,000
Anthony W. Parker	$ 35,000	$ 143,000
Walter H. Wilkinson, Jr.(3)	$ 30,000	$ 143,000

(1) Includes compensation the director received from Gladstone Investment Corporation, as part of our Fund Complex. Also includes compensation the director received from Gladstone Commercial Corporation, our affiliate and a real estate investment trust, and Gladstone Land Corporation, our affiliate and a real estate investment trust, although not part of our Fund Complex.

(2) Ms. Merrick became a director of the Company, Gladstone Investment Corporation, Gladstone Commercial Corporation, and Gladstone Land Corporation in November 2014.

(3) Mr. Wilkinson became a director of the Company, Gladstone Investment Corporation, Gladstone Commercial Corporation, and Gladstone Land Corporation in October 2014.

As compensation for serving on our Board, each of our independent directors receives an annual fee of $20,000, an additional $1,000 for each Board meeting attended, and an additional $1,000 for each committee meeting attended if such committee meeting takes place on a day other than when the full Board meets. In addition, the chairpersons of each of the Audit, Compensation and Valuation Committees receive an annual fee of $3,000, and the chairperson of the Ethics Committees receives an annual fee of $1,000 for each of their additional services in these capacities. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board and committee meetings. During the fiscal year ended September 30, 2015, we paid total cash compensation of $195,000 to our non-employee directors. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board of Directors and committee meetings.

We do not pay any compensation to directors who also serve as our officers, or as officers or directors of the Adviser or the Administrator, in consideration for their service to us. Our Board of Directors may change the compensation of our independent directors in its discretion. None of our independent directors received any compensation from us during the fiscal year ended September 30, 2015 other than for Board of Directors or committee service and meeting fees.

Certain Transactions

Investment Advisory and Management Agreement

Management Services

The Adviser is a Delaware corporation registered as an investment adviser under the Investment Advisers Act of 1940, as amended. Subject to the overall supervision of our Board of Directors, the Adviser provides investment advisory and management services to us. Under the terms of our Advisory Agreement, the Adviser has investment discretion with respect to our capital and, in that regard:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio, and the manner of implementing such changes;
- identifies, evaluates, and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);
- closes and monitors the investments we make; and
- makes available on our behalf, and provides if requested, managerial assistance to our portfolio companies.

The Adviser's services under the Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

Portfolio Management

The Adviser takes a team approach to portfolio management; however, the following persons are primarily responsible for the day-to-day management of our portfolio and comprise the Adviser's investment committee: David Gladstone, Terry Lee Brubaker, and Robert L. Marcotte whom we refer to collectively as the Portfolio Managers. Our investment decisions are made on our behalf by the investment committee of the Adviser by unanimous decision.

Mr. Gladstone has served as the chairman and the chief executive officer of the Adviser, since he founded the Adviser in 2002, along with Mr. Brubaker. Mr. Brubaker has served as the vice chairman and chief operating officer of the Adviser since 2002 and served as secretary of the Adviser from 2002 to February 2011. Mr. Marcotte has served as an executive managing director of the Adviser since December 2013 and as our president since January 2014. For more complete biographical information on Messrs. Gladstone, Brubaker and Marcotte please see "*Management—Interested Directors*" and "*Management—Executive Officers Who Are Not Directors.*"

The Portfolio Managers are all officers or directors, or both, of the Adviser and the Administrator. David Gladstone is the controlling stockholder of the parent company of the Adviser and Administrator. Although we believe that the terms of the Advisory Agreement are no less favorable to us than those that could be obtained from unaffiliated third parties in arms' length transactions, the Adviser and its officers and its directors have a material interest in the terms of this agreement. Based on an analysis of publicly available information, the Board believes that the terms and the fees payable under the Advisory Agreement are similar to those of the agreements between other business development companies that do not maintain equity incentive plans and their external investment advisers.

The Adviser provides investment advisory services to other investment funds in the Gladstone Companies. As such, the Portfolio Managers also are primarily responsible for the day-to-day management of the portfolios of other pooled investment vehicles in the Gladstone Companies that are managed by the Adviser. As of the date hereof, Messrs. Gladstone and Brubaker are primarily responsible for the day-to-day management of Gladstone Land, a publicly traded agricultural real estate company, Messrs. Gladstone, Brubaker, and Dullum (the president of Gladstone Investment) are primarily responsible for the day-to-day management of the portfolio of Gladstone Investment, another publicly-traded business development company and Messrs. Gladstone, Brubaker and Cutlip (the president of Gladstone Commercial) are primarily responsible for the day to day management of Gladstone Commercial, a publicly-traded real estate investment trust. As of September 30, 2015, the Adviser had an aggregate of approximately $1.9 billion in total assets under management.

Possible Conflicts of Interest

Our Portfolio Managers provide investment advisory services and serve as officers, directors or principals of certain of the other Gladstone Companies, which operate in the same or a related line of business as we do. Accordingly, they have corresponding obligations to investors in those entities. For example, Mr. Gladstone, our chairman and chief executive officer, is chairman of the board and chief executive officer of the Adviser, Gladstone Investment, Gladstone Commercial, and Gladstone Land with management responsibilities for the other members of the Gladstone Companies, other than Gladstone Securities, where he sits on the board of managers as an outside non-employee manager. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is vice chairman and chief operating officer of the Adviser, Gladstone Land, Gladstone Investment and Gladstone Commercial. Mr. Marcotte, our president, is an executive managing director of the Adviser. Moreover, currently and increasingly due to the limited revision of our investment objectives and strategies in October 2012, our investment objectives and strategies will overlap with those of Gladstone Investment. Accordingly Gladstone Investment and other investment vehicles that we may establish from time to time with overlapping investment objectives and strategies may invest in asset classes similar to those targeted by us. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to the member of the Gladstone Companies with the investment strategy that most closely fits the investment opportunity. Where the investment opportunity fits into the investment objectives and strategies of more than one fund, the Adviser and the upper management of each such fund consider additional suitability factors in allocating the investment, including, but not limited to, leverage, diversification and availability of capital. Nevertheless, the Portfolio Managers may face conflicts in the allocation of investment opportunities to other entities managed by the Adviser.

In certain circumstances, we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, to the prior approval of our Board of Directors. As of September 30, 2015, our Board of Directors has approved the following types of co-investment transactions:

- Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.

- We may invest simultaneously with our affiliate Gladstone Investment in senior syndicated loans whereby neither we nor any affiliate has the ability to dictate the terms of the loans.
- Additionally, pursuant to an exemptive order granted by the SEC in July 2012, under certain circumstances, we may co-invest with Gladstone Investment and any future BDC or closed-end management investment company that is advised by the Adviser (or sub-advised by the Adviser if it controls the fund), or any combination of the foregoing, subject to the conditions included therein.

Portfolio Manager Compensation

The Portfolio Managers receive compensation from the Adviser in the form of a base salary plus a bonus. Each of the Portfolio Managers' base salaries is determined by a review of salary surveys for persons with comparable experience who are serving in comparable capacities in the industry. Each Portfolio Manager's base salary is set and reviewed yearly. Like all employees of the Adviser, a Portfolio Manager's bonus is tied to the performance of the Adviser and the entities that it advises. A Portfolio Manager's bonus increases or decreases when the Adviser's income increases or decreases. The Adviser's income, in turn, is directly tied to the management and performance fees earned in managing its investment funds, including Gladstone Capital. Pursuant to the Advisory Agreement, the Adviser receives an incentive fee based on net investment income in excess of the hurdle rates and capital gains as set out in the Advisory Agreement.

Management services and fees under the Advisory Agreement

We are externally managed pursuant to contractual arrangements with the Adviser, under which the Adviser has directly employed our personnel and paid our payroll, benefits, and general expenses directly. The management services and fees in effect under the Advisory Agreement are described below. In addition, we pay our direct expenses including, but not limited to, directors' fees, legal and accounting fees and stockholder related expenses under the Advisory Agreement.

The principal executive office of each of the Adviser and the Administrator is located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102.

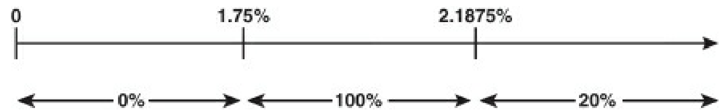
Under the Advisory Agreement, we pay the Adviser an annual base management fee of 1.75% of our average gross assets, which is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

We also pay the Adviser a two-part incentive fee under the Advisory Agreement. The first part of the incentive fee is an income-based incentive fee which rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds the hurdle rate. We pay the Adviser an income-based incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7% annualized);
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and
- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Quarterly Incentive Fee Based on Net Investment Income

Pre-incentive fee net investment income
(expressed as a percentage of the value of net assets)



Percentage of pre-incentive fee net investment income
allocated to income-based portion of incentive fee

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date), equals 20% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the aggregate unrealized capital depreciation as of the date of the calculation, as applicable, with respect to each of the investments in our portfolio. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since our inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since our inception. Aggregate unrealized capital depreciation equals the sum of the difference, if negative, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less aggregate unrealized capital depreciation, with respect to our portfolio of investments. If this number is positive at the end of such year, then the capital gains-based incentive fee for such year equals 20% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years.

Beginning in April 2006, our Board of Directors has accepted from the Adviser unconditional and irrevocable voluntary credits on a quarterly basis to reduce the annual 1.75% base management fee on senior syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such syndicated loan participations. These credits were applied through September 30, 2015.

The Adviser may provide services to our portfolio companies, and receive fees for such services, other than managerial assistance, under other agreements. The Advisor voluntarily, irrevocably and unconditionally credits nearly 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser.

During the fiscal years ended September 30, 2015, 2014, and 2013, we incurred total fees, net of credits, of approximately $8.1 million, $8.1 million, and $8.4 million, respectively, to the Adviser under the Advisory Agreement.

Duration and Termination

Unless terminated earlier as described below, the Advisory Agreement will remain in effect from year to year if approved annually by our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. On July 14, 2015, we renewed the Advisory Agreement through August 31, 2016. The Advisory Agreement will automatically terminate in the event of its assignment. The Advisory Agreement may be terminated by either party without penalty upon 60 days' written notice to the other. See "*Risk Factors—Risks Related to Our External Management—We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, Terry Lee Brubaker and Robert L. Marcotte, and on the continued operations of the Adviser, for our future success.*"

Administration Agreement

Pursuant to the Administration Agreement, the Administrator furnishes us with clerical, bookkeeping and record keeping services and the Administrator also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, the Administrator assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns, the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the Administration Agreement are generally equal to an amount based upon our allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and our allocable portion of the salaries and benefits expenses of our chief financial officer, chief accounting officer, chief compliance officer, internal counsel and their respective staffs.

Prior to July 1, 2014, our allocable portion of the expenses were derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser.

Effective July 1, 2014, our allocable portion of the Administrator's expenses are derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator under contractual agreements. These administrative fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter. On July 14, 2015, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2016.

During the fiscal years ended September 30, 2015, 2014, and 2013, we incurred total fees of approximately $1.0 million, $0.9 million, and $0.7 million, respectively, to the Administrator under the Administration Agreement.

Based on an analysis of publicly available information, the Board believes that the terms and the fees payable under the Advisory and Administration Agreements are similar to those of the agreements between other business development companies that do not maintain equity incentive plans and their external investment advisers. David Gladstone, Terry Lee Brubaker and Robert L. Marcotte are all officers or directors, or both, of the Adviser. Messrs. Gladstone and Brubaker are also officers and directors of the Administrator. David Gladstone is the controlling stockholder of the Adviser and Administrator. Ms. Morrison is also chief accounting officer of the Adviser. Although we believe that the terms of the Advisory and Administration Agreements are no less favorable to us than those that could be obtained from unaffiliated third parties in arms' length transactions, the Adviser and its officers and its directors have a material interest in the terms of these agreements.

Loan Servicing Agreement

The Adviser services, administers and collects on the loans pledged under our credit facility pursuant to a loan servicing agreement with our wholly-owned subsidiary, Business Loan, in return for a 1.5% annual fee, based on the monthly aggregate outstanding loan balance of the loans pledged under our credit facility. In exchange for this fee, the Adviser services, administers and collects on the loans held by Business Loan. Since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee, cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year, loan servicing fees paid to the Adviser under this agreement directly reduce the amount of fees payable under the Advisory Agreement. Loan servicing fees of approximately $3.8 million, $3.5 million, and $3.7 million were incurred for the fiscal years ended September 30, 2015, 2014, and 2013, respectively, all of which were directly credited against the amount of the base management fee due to the Adviser under the Advisory Agreement.

Investment Banking Services

Gladstone Securities, LLC, an affiliated broker dealer which is 100% indirectly owned and controlled by Mr. Gladstone, provides investment banking services to most our portfolio companies for which it receives a fee (paid by such portfolio companies) in an amount not greater than 1% of each investment at closing. Messrs. Gladstone, LiCalsi and Dellafiora serve on the board of managers of Gladstone Securities and certain of the employees of the Adviser, who are also registered representatives of Gladstone Securities, perform the investment banking services on behalf of Gladstone Securities. Such investment banking fees are outside of the scope of the Advisory Agreement and the Administration Agreement. Therefore, they are not credited back to the Company and are entirely retained by Gladstone Securities. Our board of directors reviews, approves and ratifies these fees each quarter.

Loans

At September 30, 2015, we did not have any loans outstanding to affiliates.

Indemnification

In our charter and bylaws, we have agreed to indemnify certain officers and directors by providing, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as our director, officer or other agent, to the fullest extent permitted under Maryland law and our bylaws. Notwithstanding the foregoing, the indemnification provisions shall not protect any officer or director from liability to us or our stockholders as a result of any action that would constitute willful misfeasance, bad faith or gross negligence or reckless disregard of the duties involved in the conduct of the office.

Each of the Advisory and Administration Agreements provide that, absent willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their duties and obligations (as the same may be determined in accordance with the 1940 Act and any interpretations or guidance by the SEC or its staff thereunder), the Adviser, the Administrator and their respective officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with them are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Adviser's or Administrator's services under the Advisory or Administration Agreements or otherwise as an investment adviser of ours.

Table of Contents

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the ownership of the common and preferred stock of the Company as of November 13, 2015, by: (i) each current director; (ii) each of our named executive officers; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than 5% of our common stock. None of our executive officers or directors own shares of our 6.75% Series 2021 Term Preferred Stock, and, to our knowledge, no person beneficially owns more than 5% of our Series 2021 Term Preferred Stock. Except as otherwise noted, the address of the individuals below is c/o Gladstone Capital Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102. As of November 13, 2015, no independent director (or his/her immediate family members) owned securities of the Adviser.

Beneficial Ownership of Common Stock(1)(2)

Name and Address	Number of Common Shares	Percent of Total
Directors:		
David Gladstone	1,164,794	4.99%
Terry Lee Brubaker	114,210	*
Paul W. Adelgren	7,057	*
Michela A. English	1,588	*
Caren D. Merrick	1,835	*
John H. Outland	2,010	*
Anthony W. Parker	0	*
Walter H. Wilkinson, Jr.	6,047	*
Named Executive Officers (that are not also Directors):		
Melissa Morrison	375	*
Robert L. Marcotte	222,299	*
All executive officers and directors as a group (10 persons)	1,520,215	6.49%

* Less than 1%

(1) This table is based upon information supplied by executive officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and sole investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 23,431,622 shares of common stock outstanding on November 13, 2015. No executive officers or directors held shares of our preferred stock as of November 13, 2015, nor was anyone a principal stockholder of our preferred stock on such date.

(2) Ownership calculated in accordance with Rule 13d-3 of the 1934 Act.

The following table sets forth, as of November 13, 2015, the dollar range of equity securities that are beneficially owned by each of our directors in the Company and in both the Company and Gladstone Investment Corporation in the aggregate. Gladstone Investment Corporation is our affiliate and a business development company that is also externally managed by the Adviser.

Name	Dollar Range of Equity Securities of the Company Owned by Director Nominees(1)(2)	Aggregate Dollar Range of Equity Securities in All Funds Overseen or to be Overseen by Director or Nominee in Family of Investment Companies(1)(2)
Interested Directors:		
David Gladstone	Over $100,000	Over $100,000
Terry Lee Brubaker	Over $100,000	Over $100,000
Independent Directors:		
Paul W. Adelgren	$50,001-$100,000	Over $100,000
Michela A. English	$10,001-$50,000	$10,001-$50,000
Caren D. Merrick	$10,001-$50,000	$10,001-$50,000
John H. Outland	$10,001-$50,000	$10,001-$50,000
Anthony W. Parker	None	$50,001-$100,000
Walter H. Wilkinson, Jr.	$50,001-$100,000	Over $100,000

(1) Ownership is calculated in accordance with Rule 16a-1(a)(2) of the 1934 Act.
(2) The dollar range of equity securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on The NASDAQ as of November 13, 2015, by the number of shares of the respective class so beneficially owned and aggregated accordingly.

Gladstone Commercial Corporation, our affiliate and a real estate investment trust, is also managed by the Adviser. The following table sets forth certain information regarding the ownership of the common and preferred stock of Gladstone Commercial as of November 13, 2015, by each independent incumbent director and nominee. As of November 13, 2015, none of our independent directors owns any class of stock of Gladstone Commercial Corporation, other than common stock.

Name	Number of Common Shares	Percent of Class of Common Shares	Value of Securities($)(1)
Independent Directors:			
Paul W. Adelgren	7,758	*	$ 116,141
Michela A. English	2,111	*	$ 31,603
Caren D. Merrick	0	*	$ 0
John H. Outland	1,893	*	$ 28,338
Anthony W. Parker	23,929	*	$ 358,219
Walter H. Wilkinson, Jr.	3,229	*	$ 48,345

* Less than 1%
(1) Ownership calculated in accordance with Rule 16a-1(a)(2) of the 1934 Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on The NASDAQ as of November 13, 2015, by the number of shares of the respective class so beneficially owned and aggregated accordingly.

Table of Contents

Gladstone Land Corporation, our affiliate and an agricultural real estate company, is also managed by the Adviser. The following table sets forth certain information regarding the ownership of the common stock of Gladstone Land as of November 13, 2015, by each independent incumbent director and nominee.

Name	Number of Common Shares	Percent of Class of Common Shares	Value of Securities($)(1)
Independent Directors:			
Paul W. Adelgren	6,301	*	$ 57,019
Michela A. English	1,030	*	$ 9,323
Caren D. Merrick	0	*	$ 0
John H. Outland	1,599	*	$ 14,471
Anthony W. Parker	5,023	*	$ 45,463
Walter H. Wilkinson, Jr.	4,594	*	$ 41,578

* Less than 1%

(1) Ownership calculated in accordance with Rule 16a-1(a)(2) of the 1934 Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on The NASDAQ Global Market as of November 13, 2015, by the number of shares of the respective class so beneficially owned and aggregated accordingly.

DIVIDEND REINVESTMENT PLAN

Our transfer agency and services agreement with our transfer agent, Computershare Inc., or Computershare, authorizes Computershare to provide a dividend reinvestment plan that allows for reinvestment of our distributions on behalf of our common stockholders upon their election as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash distribution, then our common stockholders who have “opted in” to the dividend reinvestment plan will not receive cash distributions but, instead, such cash distributions will automatically be reinvested in additional shares of our common stock.

Pursuant to the dividend reinvestment plan, if your shares of our common stock are registered in your own name you can have all distributions reinvested in additional shares of our common stock by Computershare, as the plan agent, if you enroll in the dividend reinvestment plan by delivering an enrollment form to the plan agent prior to the corresponding dividend record date, available at www.computershare.com/investor. The plan agent will effect purchases of our common stock under the dividend reinvestment plan in the open market.

If you do not elect to participate in the dividend reinvestment plan, you will receive all distributions in cash paid by check mailed directly to you (or if you hold your shares in street or other nominee name, then to your nominee) as of the relevant record date, by the plan agent, as our dividend disbursing agent. If your shares are held in the name of a broker or nominee, you can transfer the common shares into your own name and then enroll in the dividend reinvestment plan or contact your broker or nominee to determine if they offer a dividend reinvestment plan.

The plan agent serves as agent for the holders of our common stock in administering the dividend reinvestment plan. After we declare a distribution, the plan agent will, as agent for the participants, receive the cash payment and use it to buy common stock on NASDAQ or elsewhere for the participants’ accounts. The price of the common shares will be the weighted average price of all common shares purchased by the plan agent on such trade date or dates.

Participants in the dividend reinvestment plan may withdraw from the dividend reinvestment plan at any time online at www.computershare.com/investor, via telephone or by mailing a request to Computershare or by selling or transferring all applicable common shares. If the plan agent receives a request to withdraw near a dividend record date, the plan agent, in its sole discretion, may either distribute such dividends in cash or reinvest the common shares on behalf of the withdrawing participant. If such distributions are reinvested, the plan agent will process the withdrawal as soon as practicable, but in no event later than five business days after the reinvestment is completed.

The plan agent will maintain each participant’s account in the dividend reinvestment plan and will furnish periodic written confirmations of all transactions in such account, including information needed by the stockholder for personal and tax records. Common stock in the account of each dividend reinvestment plan participant will be held by the plan agent in non-certificated form in the name of such participant; however participants may request that such common shares be certificated in their name. The plan agent will provide proxy materials relating to our stockholders’ meetings that will include those common shares purchased through the plan agent, as well as common shares held pursuant to the dividend reinvestment plan.

We pay the plan agent’s fees for the handling or reinvestment of dividends and other distributions. Each participant in the dividend reinvestment plan pays a pro rata share of brokerage commissions incurred with respect to the plan agent’s open market purchases in connection with the reinvestment of distributions. There are no other charges to participants for reinvesting distributions.

Distributions are taxable whether paid in cash or reinvested in additional common shares, and the reinvestment of distributions pursuant to the dividend reinvestment plan will not relieve participants of any U.S. federal income tax or state income tax that may be payable or required to be withheld on such distributions. For more information regarding taxes that our stockholders may be required to pay, see “*Material U.S. Federal Income Tax Considerations*.”

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

Regulated Investment Company Status

In order to maintain our qualification for treatment as a RIC under Subchapter M of the Code, we generally must distribute to our stockholders, for each taxable year, at least 90% of our investment company taxable income, which is generally our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term losses. We refer to this as the annual distribution requirement. We must also meet several additional requirements, including:

- *Business Development Company Status.* At all times during each taxable year, we must maintain our status as a business development company;
- *Income source requirements.* At least 90% of our gross income for each taxable year must be from dividends, interest, payments with respect to securities loans, gains from sales or other dispositions of securities or other income derived with respect to our business of investing in securities, and net income derived from interests in qualified publicly traded partnerships; and
- *Asset diversification requirements.* As of the close of each quarter of our taxable year: (1) at least 50% of the value of our assets must consist of cash, cash items, U.S. government securities, the securities of other regulated investment companies and other securities to the extent that (a) we do not hold more than 10% of the outstanding voting securities of an issuer of such other securities and (b) such other securities of any one issuer do not represent more than 5% of our total assets, and (2) no more than 25% of the value of our total assets may be invested in the securities of one issuer (other than U.S. government securities or the securities of other regulated investment companies), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships.

Failure to Qualify as a RIC. If we are unable to qualify for treatment as a RIC and we do not qualify for certain relief provisions, we will be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions would be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and then as a gain realized from the sale or exchange of property. If we fail to meet the RIC requirements for more than two consecutive years and then seek to re-qualify as a RIC, we would be required to recognize a gain to the extent of any unrealized appreciation on our assets unless we make a special election to pay corporate-level tax on any such unrealized appreciation recognized during the succeeding 10-year period. Absent such special election, any gain we recognized would be deemed distributed to our stockholders as a taxable distribution.

Qualification as a RIC. If we qualify as a RIC and distribute to stockholders each year in a timely manner at least 90% of our investment company taxable income, we will not be subject to federal income tax on the portion of our taxable income and gains we distribute to stockholders. We would, however, be subject to a 4% nondeductible federal excise tax if we do not distribute, actually or on a deemed basis, an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income for the one-year period ending on October 31 of such calendar year and (3) any ordinary income and capital gain net income for preceding years that were not distributed during such years. The excise tax would apply only to the amount by which the required distributions exceed the amount of income we distribute, actually or on a deemed basis, to stockholders. We will be subject to regular corporate income tax, currently at rates up to 35%, on any undistributed income, including both ordinary income and capital gains. We intend to retain some or all of our long-term capital gains, but to designate the retained amount as a deemed distribution. In that case, among other consequences, we will pay tax on the retained amount, each stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the stockholder and the stockholder will be entitled to claim a credit or refund equal to its allocable share of the tax we pay on the retained long-term capital gain. The amount of the deemed distribution net of such tax will be added to the stockholder's cost basis for its common stock. Since we expect to pay tax on any retained long-term capital gains at our regular corporate capital gain tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid will exceed the tax they owe on the capital gain dividend and such excess may be claimed as a credit or refund against the stockholder's other tax obligations. A stockholder that is not subject to U.S. federal income tax or tax on long-term capital gains would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. We will also be subject to alternative minimum tax, but any tax preference items would be apportioned between us and our stockholders in the same proportion that distributions, other than capital gain dividends, paid to each stockholder bear to our taxable income determined without regard to the dividends paid deduction.

From time to time, we acquire debt obligations that are issued at a discount, which may include loans we make that are accompanied by warrants, that bear interest at rates that are not either fixed rates or certain qualified variable rates or that are not unconditionally payable at least annually over the life of the obligation. In such cases, we are required to include in taxable income each year a portion of the original issue discount, or OID, that accrues over the life of the obligation. Such OID is included in our investment company taxable income even though we receive no cash corresponding to such discount amount. As a result, we may be required to make additional distributions corresponding to such OID amounts in order to satisfy the annual distribution requirement and to continue to qualify as a RIC and to avoid the imposition of federal income tax and the 4% excise tax. In such case, we may be required to sell temporary investments or other assets to meet the RIC distribution requirements.

Taxation of Our U.S. Stockholders

Distributions. For any period during which we qualify for treatment as a RIC for federal income tax purposes, distributions to our stockholders attributable to our investment company taxable income generally will be taxable as ordinary income to stockholders to the extent of our current or accumulated earnings and profits. We first allocate our earnings and profits to our preferred stockholders and then to our common stockholders based on the priority in our capital structure. Any distributions in excess of our earnings and profits will first be treated as a return of capital to the extent of the stockholder's adjusted basis in his or her shares of our stock and thereafter as gain from the sale of shares of our stock. Distributions of our long-term capital gains, designated by us as such, will be taxable to stockholders as long-term capital gains regardless of the stockholder's holding period for its shares of our stock and whether the distributions are paid in cash or invested in additional shares of our stock. Corporate stockholders are generally eligible for the 70% dividends received deduction with respect to ordinary income, but not with respect to capital gain dividends to the extent such amount designated by us does not exceed the dividends received by us from domestic corporations. Any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it were paid by us and received by the stockholders on December 31 of the previous year. In addition, we may elect to relate a dividend back to the prior taxable year if we (1) declare such dividend prior to the 15 th day of the 9 th month following the close of that taxable year, or any applicable extended due date of our tax return for such prior taxable year (2) make the election in that tax return, and (3) distribute such amount in the 12-month period following the close of the taxable year but not later than our first payment of the same type of dividend following such declaration. Any such election will not alter the general rule that a stockholder will be treated as receiving a dividend in the taxable year in which the dividend is made, subject to the October, November, December rule described above.

In general, the federal income tax rates applicable to our dividends other than dividends designated as capital gain dividends will be the rates applicable to ordinary income (currently up to 39.6%), and not the rates applicable to "qualified dividend income" (currently up to 20%). If we distribute dividends that are attributable to actual dividend income received by us that is eligible to be, and is, designated by us as qualified dividend income, such dividends would be eligible for such lower federal income tax rate. For this purpose, "qualified dividend income" means dividends received by us from United States corporations and qualifying foreign corporations, provided that both we and the stockholder recipient of our dividends satisfy certain holding period and other requirements in respect of our shares (in the case of our stockholder) and the stock of such corporations (in our case). However, we do not anticipate receiving or distributing a significant amount of qualified dividend income.

If a common stockholder participates in our dividend reinvestment plan, any dividends with respect to shares of our stock that are reinvested under the plan will be taxable to the common stockholder to the same extent, and with the same character, as if the stockholder had received the dividend in cash. The stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested dividend. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to the stockholder's account.

Sale of Our Shares. A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of our stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares.

Individual U.S. stockholders are subject to a maximum federal income tax rate of 20% on their net capital gain (*i.e.* , the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals of 39.6%. Capital losses are subject to limitations on use for both corporate and non-corporate stockholders.

Medicare Tax on Unearned Income. Stockholders that are individuals, estates or trusts and that have taxable income in excess of certain thresholds are required to pay a 3.8% Medicare tax on "net investment income," which includes, among other things, dividends on, and gains from the sale or other disposition of, shares of our stock. Prospective investors should consult their own tax advisors regarding the impact of this Medicare tax on an investment in our stock.

Required Backup Withholding. We may be required to withhold federal income tax, or backup withholding, currently at a rate of 28%, from all taxable dividends to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the Internal Revenue Service, or IRS, notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is generally his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability, provided that proper information is provided to the IRS.

The Foreign Account Tax Compliance Act imposes a federal withholding tax on certain types of payments, including dividends and gross proceeds from a sale of other disposition of our stock, made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied. Under delayed effective dates provided for in the Treasury Regulations and other IRS guidance, such required withholding will not begin until January 1, 2017 with respect to gross proceeds from a sale or other disposition of our stock.

REGULATION AS A BUSINESS DEVELOPMENT COMPANY

We are a closed-end, non-diversified management investment company that has elected to be regulated as a business development company under Section 54 of the 1940 Act. As such, we are subject to regulation under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities, as defined in the 1940 Act.

We intend to conduct our business so as to retain our status as a business development company. A business development company may use capital provided by public stockholders and from other sources to invest in long-term private investments in businesses. A business development company provides stockholders the ability to retain the liquidity of a publicly traded stock while sharing in the possible benefits, if any, of investing in primarily privately owned companies. In general, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making certain types of investments in assets described in Sections 55(a)(1)-(3) of the 1940 Act.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets, other than assets defined in Section 55(a)(7) ("operating assets"), which includes certain interests in furniture, equipment, real estate, or leasehold improvements, represent at least 70% of the company's total assets, exclusive of operating assets. The types of qualifying assets in which we may invest under the 1940 Act include, but are not limited to, the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer is an eligible portfolio company. An eligible portfolio company is generally defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, any state or states in the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the business development company) or otherwise excluded from the definition of investment company; and

(c) satisfies one of the following:

(i) it does not have any class of securities with respect to which a broker or dealer may extend margin credit;

(ii) it is controlled by the business development company, alone or as part of a group, and the business development company in fact exercises a controlling influence over the management or policies of the portfolio company and, as a result of such control, has an affiliated person who is a director of the portfolio company;

(iii) it has total assets of not more than $4 million and capital and surplus of not less than $2 million;

(iv) it does not have any class of securities listed on a national securities exchange; or

(v) it has a class of securities listed on a national securities exchange, with an aggregate market value of outstanding voting and non-voting equity of less than $250 million.

(2) Securities received in exchange for or distributed on or with respect to securities described in (1) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(3) Cash, cash items, government securities or high quality debt securities maturing in one year or less from the time of investment.

Asset Coverage

Pursuant to Section 61(a)(2) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of "senior securities representing indebtedness." However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of "senior securities that is stock." In either case, we may only issue such senior securities if such class of senior securities, after such issuance, has an asset coverage, as defined in Section 18(h) of the 1940 Act, of at least 200.0%.

In addition, our ability to pay dividends or distributions (other than dividends payable in our stock) to holders of any class of our capital stock would be restricted if our "senior securities representing indebtedness" fail to have an asset coverage of at least 200.0% (measured at the time of declaration of such distribution and accounting for such distribution). The 1940 Act does not apply this limitation to privately arranged debt that is not intended to be publicly distributed, unless this limitation is specifically negotiated by the lender.

In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to our common stockholders would also be restricted if our "senior securities that are stock" fail to have an asset coverage of at least 200.0% (measured at the time of declaration of such distribution and accounting for such distribution).

If the value of our assets declines, we might be unable to satisfy these asset coverage requirements. To satisfy the 200.0% 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 our stockholders. If we are unable to regain the requisite asset coverage through these methods, we may be forced to suspend the payment of such dividends.

Significant Managerial Assistance

Generally, a BDC must make available significant managerial assistance to issuers of certain of its portfolio securities that the BDC counts as a qualifying asset for the 70.0% test described above. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Significant managerial assistance also includes the exercise of a controlling influence over the management and policies of the portfolio company. However, with respect to certain, but not all such securities, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance, or the BDC may exercise such control jointly.

Investment Policies

We seek to achieve a high level of current income and capital gains through investments in debt securities and preferred and common stock that we acquire in connection with buyout and other recapitalizations. The following investment policies, along with these investment objectives, may not be changed without the approval of our Board of Directors:

- We will at all times conduct our business so as to retain our status as a BDC. In order to retain that status, we must be operated for the purpose of investing in certain categories of qualifying assets. In addition, we may not acquire any assets (other than non-investment assets necessary and appropriate to our operations as a BDC or qualifying assets) if, after giving effect to such acquisition, the value of our "qualifying assets" is less than 70.0% of the value of our total assets. We anticipate that the securities we seek to acquire will generally be qualifying assets.

- We will at all times endeavor to conduct our business so as to retain our status as a RIC under the Code. To do so, we must meet income source, asset diversification and annual distribution requirements. We may issue senior securities, such as debt or preferred stock, to the extent permitted by the 1940 Act for the purpose of making investments, to fund share repurchases, or for temporary emergency or other purposes.

With the exception of our policy to conduct our business as a BDC, these policies are not fundamental and may be changed without stockholder approval.

Co-Investment Order

On July 26, 2012, the Securities and Exchange Commission granted us exemptive order that permits us to co-invest with Gladstone Investment and any future BDC or closed-end management investment company that is advised by the Adviser, (or sub-advised by the Adviser if it also controls the fund), or any combination of the foregoing, subject to the conditions contained therein.

DESCRIPTION OF OUR SECURITIES

Our authorized capital stock consists of 50,000,000 shares of capital stock, $0.001 par value per share, 46,000,000 of which are currently designated as common stock and 4,000,000 of which are currently designated as preferred stock. The following summary description of our capital stock is not necessarily complete and is subject to, and qualified in its entirety by, our articles of incorporation. Please review our articles of incorporation for a more detailed description of the provisions summarized below.

Common Stock

As of the date hereof, we have 23,431,622 shares of common stock outstanding. All shares of our common stock have equal rights as to earnings, assets, dividends and voting privileges and, when issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws. In the event of our liquidation, dissolution or winding up, each share of our common stock is entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any is outstanding at the time. Each share of our common stock is entitled to one vote and does not have cumulative voting rights, which means that, subject to the rights of the holders of Series 2021 Term Preferred Stock to vote in the election of directors, as described below, holders of a majority of such shares, if they so choose, could elect all of the directors, and holders of less than a majority of such shares would, in that case, be unable to elect any director. Our common stock is listed on the NASDAQ under the ticker symbol “GLAD.”

Preferred Stock

Our articles of incorporation give the Board of Directors the authority, without further action by stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon such preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, and liquidation preference, any or all of which may be greater than the rights of the common stock. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that such holders will receive dividend payments and payments upon liquidation, and could also decrease the market price of our common stock.

You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other Senior Securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. If we offer preferred stock under this prospectus, we will issue an appropriate prospectus supplement. You should read that prospectus supplement for a description of the preferred stock, including, but not limited to, whether there will be an arrearage in the payment of dividends or sinking fund installments, if any, restrictions with respect to the declaration of dividends, requirements in connection with the maintenance of any ratio or assets, or creation or maintenance of reserves, or provisions for permitting or restricting the issuance of additional securities.

Series 2021 Term Preferred Stock

Of the 4,000,000 shares of our capital stock designated as preferred stock, 2,460,118 of such shares are designated as 6.75% Series 2021 Term Preferred Shares, which we refer to as our Series 2021 Term Preferred Stock. As of the date hereof, we have 2,440,000 shares of Series 2021 Term Preferred Stock outstanding. Our Series 2021 Term Preferred Stock is listed on the NASDAQ under the symbol "GLADO."

The following is a summary of the material terms of our Series 2021 Term Preferred Stock. The following summary is qualified in its entirety by reference to the Articles Supplementary Establishing and Fixing the Rights and Preferences of our Series 2021 Term Preferred Shares, including Appendix A thereto relating to the our Series 2021 Term Preferred Stock, which are filed as an exhibit to the registration statement of which this prospectus is a part:

Dividend Rights

The holders of our Series 2021 Term Preferred Stock are entitled to monthly dividends in the amount of 6.75% per annum on the stated liquidation preference of our Series 2021 Term Preferred Stock, or $0.140625 per share, and we are prohibited from issuing dividends or making distributions to the holders of our common stock while any shares of our Series 2021 Term Preferred Stock are outstanding, unless all accrued and unpaid dividends on our Series 2021 Term Preferred Stock are paid in their entirety. In the event that we fail to pay dividends on our Series 2021 Term Preferred Stock when required, the dividend rate on our Series 2021 Term Preferred Stock will increase to 10.75% per annum until such default is cured.

Voting Rights

The holders of our Series 2021 Term Preferred Stock are entitled to one vote per share and do not have cumulative voting. The holders of our Series 2021 Term Preferred Stock generally vote together with the holders of our common stock, except that the holders of our Series 2021 Term Preferred Stock have the right to elect two of our directors. Furthermore, during any period that we owe accumulated dividends, whether or not earned or declared, on our Series 2021 Term Preferred Shares equal to at least two full years of dividends, the holders of our Series 2021 Term Preferred Stock will have the right to elect a majority of our Board of Directors. In addition, the holders of our Series 2021 Term Preferred Stock have voting rights with regard to certain corporate actions, including certain amendments to our charter and certain actions relating to our election to be treated as a BDC, as set forth in the articles supplementary relating to our Series 2021 Term Preferred Stock.

Liquidation Rights

Our Series 2021 Term Preferred Stock has a liquidation preference over our common stock equal to $25 per share, plus all accrued but unpaid dividends in the event of a dissolution, liquidation or winding up of our affairs.

Redemption

Our Series 2021 Term Preferred Stock has a mandatory term redemption date of June 30, 2021, however, if we fail to maintain asset coverage as required by the 1940 Act, of at least 200%, we will be required to redeem a portion of our Series 2021 Term Preferred Stock to enable us to meet the required asset coverage. We are further required to redeem our 2021 Term Preferred Shares in the event of a change in control. We also have the option to redeem such shares at any time on or after June 30, 2017, at our sole option at a redemption price per share equal to the sum of the $25 liquidation preference per share plus an amount equal to accumulated but unpaid dividends, if any. As of the date hereof we have not exercised our option to redeem any shares. In the event that we fail to redeem our Series 2021 Term Preferred Stock when due, the dividend rate will increase to 10.75% per annum until such shares are redeemed.

Subscription Rights

General

We may issue subscription rights to our stockholders to purchase common stock or preferred stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting arrangement with one or more underwriters pursuant to which such underwriters would purchase any offered securities remaining unsubscribed after such subscription rights offering to the extent permissible under applicable law. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

- the period of time the offering would remain open (which in no event would be less than fifteen business days);
- the title of such subscription rights;
- the exercise price for such subscription rights;
- the ratio of the offering (which in no event would exceed one new share of common stock for each three rights held);
- the number of such subscription rights issued to each stockholder;
- the extent to which such subscription rights are transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights shall commence, and the date on which such rights shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;
- if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and
- any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

Exercise of Subscription Rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock, or preferred stock, at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock, or preferred stock, purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting arrangements, as set forth in the applicable prospectus supplement.

Warrants

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock. Such warrants may be issued independently or together with shares of common stock or other equity or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;
- if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;
- the number of shares of common stock purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;
- the date on which the right to exercise such warrants shall commence and the date on which such right will expire;
- whether such warrants will be issued in registered form or bearer form;
- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the date on and after which such warrants and the related securities will be separately transferable;
- information with respect to book-entry procedures, if any;
- the terms of the securities issuable upon exercise of the warrants;
- if applicable, a discussion of certain U.S. federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants (except for warrants expiring not later than 120 days after issuance and issued exclusively and ratably to a class of our security holders) on the condition that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value of the securities underlying the warrants at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants (our stockholders approved such a proposal to issue long-term rights, including warrants, in connection with our 2008 annual meeting of stockholders) and a "required" majority of our Board of Directors approves such issuance on the basis that the issuance is in the best interests of Gladstone Capital and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. A "required" majority of our Board of Directors is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the company. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, options and subscription rights at the time of issuance may not exceed 25% of our outstanding voting securities.

Debt Securities

Any debt securities that we issue may be senior or subordinated in priority of payment. If we offer debt securities under this prospectus, we will provide a prospectus supplement that describes the ranking, whether senior or subordinated, the specific designation, the aggregate principal amount, the purchase price, the maturity, the redemption terms, the interest rate or manner of calculating the interest rate, the time of payment of interest, if any, the terms for any conversion or exchange, including the terms relating to the adjustment of any conversion or exchange mechanism, the listing, if any, on a securities exchange, the name and address of the trustee and any other specific terms of the debt securities.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR ARTICLES OF INCORPORATION AND BYLAWS

Our articles of incorporation and bylaws and the Maryland General Corporation Law contain certain provisions that could make more difficult the acquisition of us by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging such proposals because, among other things, negotiation of such proposals might result in an improvement of their terms. The description set forth below is intended as a summary only and is qualified in its entirety by reference to our articles of incorporation and bylaws, as amended, which are filed as exhibits to the registration statement of which this prospectus is a part.

Classified Board of Directors

In accordance with our bylaws, our Board of Directors is divided into three classes of directors serving staggered three-year terms, with the term of directors in each class expiring at the annual meeting of stockholders held in the third year following the year of their election. One class has two directors, one class has three directors and one class has four directors. A classified board may render more difficult a change in control of us or removal of our incumbent management. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure continuity and stability of our management and policies.

Our classified board could have the effect of making the replacement of incumbent directors more time consuming and difficult. Because our directors may only be removed for cause, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our Board of Directors. Thus, our classified board could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us or another transaction that might involve a premium price for our common stock that might be in the best interest of our stockholders.

Number of Directors; Removal; Vacancies

Our articles of incorporation provide that the number of directors will be determined pursuant to our bylaws and our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. In addition, our bylaws provide that the number of directors shall not be increased by 50% or more in any 12-month period without the approval of two-thirds of the members of our Board of Directors then in office. Our bylaws provide that any vacancies may be filled only by the vote of a majority of the remaining directors, even if less than a quorum, and the directors so appointed shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until their successors are elected and qualified.

Our directors may only be removed for cause and only by the affirmative vote of at least a majority of all the votes entitled to be cast by our stockholders generally in the election of directors. This provision, when coupled with the power of our Board of Directors to fill vacancies on our Board of Directors, precludes stockholders from removing incumbent directors except for cause and upon a substantial affirmative vote and could preclude stockholders from filling the vacancies created by such removal with their own nominees.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual or special meeting of our stockholders, which we refer to as the stockholder notice procedure.

The stockholder notice procedure provides that with respect to an annual meeting of stockholders, nominations of individuals for election to our Board of Directors and the proposal of business to be considered by our stockholders at an annual meeting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record at the time of giving of notice, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and the nominee or business proposal, as applicable. With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our board of directors or (2) by a stockholder who was a stockholder of record at the time of giving of notice, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and the nominee.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of the other proposed business and, to the extent deemed necessary or desirable by the Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Authority to Issue Preferred Stock without Stockholder Approval

Our articles of incorporation permit our Board of Directors to issue up to 50,000,000 shares of capital stock. Our Board of Directors may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Thus, our Board of Directors could authorize the issuance of preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock.

Amendment of Articles of Incorporation and Bylaws

Our articles of incorporation may be amended, altered, changed or repealed, subject to the terms of any class or series of preferred stock, only if advised by our Board of Directors and approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter.

Our articles of incorporation also provide that the bylaws may be adopted, amended, altered, changed or repealed by our Board of Directors. Any action taken by our stockholders with respect to adopting, amending, altering, changing or repealing our bylaws may be taken only by the affirmative vote of the holders of at least 75% of our capital stock, voting together as a single class.

These provisions are intended to make it more difficult for stockholders to circumvent certain other provisions contained in our articles of incorporation and bylaws, such as those that provide for the classification of our Board of Directors. These provisions, however, also will make it more difficult for stockholders to amend the articles of incorporation or bylaws without the approval of the Board of Directors, even if a majority of the stockholders deems such amendment to be in the best interests of all stockholders.

Indemnification and Limitation of Liability of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

The Maryland General Corporation Law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under the MGCL, we may not indemnify a director or officer in a suit by us or on our behalf in which the director or officer was adjudged liable to us or in a suit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by us; and
- a written undertaking by or on behalf of the director or officer to repay the amount paid or reimbursed by us if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our bylaws permit us to advance expenses so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

Subject to the Investment Company Act of 1940, as amended (the “1940 Act”), or any valid rule, regulation or order of the Securities and Exchange Commission (“SEC”) thereunder, our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any director or officer, whether serving our company or at our request any other entity. Our charter also permits us to indemnify and advance expenses to any employee or agent of our company to the extent authorized by our board of directors or the bylaws and permitted by law.

Our bylaws obligate us, to the maximum extent required by Maryland law or the charter, to indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was our director, officer, employee or agent, or is or was serving at our request as a director, officer, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise if our board of directors determines that such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of our company, and, in the case of any criminal action or proceeding, that such person had no reasonable cause to believe that such person's conduct was unlawful. However, our bylaws permit us to advance expenses only so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

These provisions on indemnification and limitation of liability are subject to the limitations of the 1940 Act that prohibit us from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

SHARE REPURCHASES

Shares of closed-end investment companies frequently trade at discounts to net asset value. We cannot predict whether our shares will trade above, at or below net asset value. The market price of our common stock is determined by, among other things, the supply and demand for our shares, our investment performance and investor perception of our overall attractiveness as an investment as compared with alternative investments. Our Board of Directors has authorized our officers, in their discretion and subject to compliance with the 1940 Act and other applicable law, to purchase on the open market or in privately negotiated transactions, outstanding shares of our common stock in the event that our shares trade at a discount to net asset value. We cannot assure you that we will ever conduct any open market purchases and if we do conduct open market purchases, we may terminate them at any time. In addition, if our shares publicly trade for a substantial period of time at a substantial discount to our then current net asset value per share, our Board of Directors will consider authorizing periodic repurchases of our shares or other actions designed to eliminate the discount. Our Board of Directors would consider all relevant factors in determining whether to take any such actions, including the effect of such actions on our status as a RIC under the Code and the availability of cash to finance these repurchases in view of the restrictions on our ability to borrow. We cannot assure you that any share repurchases will be made or that if made, they will reduce or eliminate market discount. Should we make any such repurchases in the future, we expect that we would make them at prices at or below the then current net asset value per share. Any such repurchase would cause our total assets to decrease, which may have the effect of increasing our expense ratio. We may borrow money to finance the repurchase of shares subject to the limitations described in this prospectus. Any interest on such borrowing for this purpose would reduce our net income.

PLAN OF DISTRIBUTION

We may sell the Securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of any such methods of sale. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of the Securities will also be named in the applicable prospectus supplement.

The distribution of the Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, in “at the market offerings” within the meaning of Rule 415(a)(4) of the Securities Act, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices, provided, however, that in the case of our common stock, the offering price per share less any underwriting commissions or discounts must equal or exceed the net asset value per share of our common stock except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the majority of our common stockholders, or (iii) under such other circumstances as the SEC may permit.

In connection with the sale of the Securities, underwriters or agents may receive compensation from us or from purchasers of the Securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Underwriters may sell the Securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum commission or discount to be received by any Financial Industry Regulatory Authority, or FINRA, member or independent broker-dealer will not exceed 10%.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell Securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

Any of our common stock sold pursuant to a prospectus supplement will be listed on the NASDAQ, or another exchange on which our common stock is traded.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of the Securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase the Securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of the

Securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

In order to comply with the securities laws of certain states, if applicable, the Securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, the Securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held under a custodian agreement with The Bank of New York Mellon Corp. The address of the custodian is: 500 Ross Street, Suite 625, Pittsburgh, PA 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly-owned subsidiary, Business Loan, are held under a custodian agreement with The Bank of New York Mellon Corp., which acts as collateral custodian pursuant to Business Loan's credit facility with Key Equipment Finance, a division of KeyBank National Association and certain other parties. The address of the collateral custodian is 500 Ross Street, Suite 625, Pittsburgh, PA 15262. Computershare Inc. acts as our transfer and dividend paying agent and registrar. The principal business address of Computershare Inc. is 250 Royall Street, Canton, MA 02021, telephone number 800-522-6645. Computershare Inc. also maintains an internet website at *www.computershare.com* .

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use securities brokers or dealers in the normal course of our business. Subject to policies established by our Board of Directors, the Adviser will be primarily responsible for the execution of transactions involving publicly traded securities and the allocation of brokerage commissions in respect thereof, if any. In the event that the Adviser executes such transactions, we do not expect the Adviser to execute transactions through any particular broker or dealer, but we would expect the Adviser to seek to obtain the best net results for us, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While we expect that the Adviser generally will seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the Adviser may select a broker based partly upon brokerage or research services provided to us, the Adviser and any of its other clients. In return for such services, we may pay a higher commission than other brokers would charge if the Adviser determines in good faith that such commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer viewed in terms either of the particular transaction or the Adviser's overall responsibilities with respect to all of the Adviser's clients.

Table of Contents

PROXY VOTING POLICIES AND PROCEDURES

We have delegated our proxy voting responsibility to the Adviser. The proxy voting policies and procedures of the Adviser are set out below. The guidelines are reviewed periodically by the Adviser and our directors who are not "interested persons," and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, the Adviser has a fiduciary duty to act solely in our best interests. As part of this duty, the Adviser recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

The Adviser's policies and procedures for voting proxies for its investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

The Adviser votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. The Adviser reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases the Adviser will vote in favor of proposals that the Adviser believes are likely to increase the value of the portfolio securities we hold. Although the Adviser will generally vote against proposals that may have a negative effect on our portfolio securities, the Adviser may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by the Adviser's portfolio managers. To ensure that the Adviser's vote is not the product of a conflict of interest, the Adviser requires that (1) anyone involved in the decision-making process disclose to the Adviser's investment committee any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how the Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, the Adviser will disclose such conflicts to us, including our independent directors and may request guidance from us on how to vote such proxies.

Proxy Voting Records

You may obtain information without charge about how the Adviser voted proxies by making a written request for proxy voting information to:

Michael LiCalsi, General Counsel and Secretary
c/o Gladstone Capital Corporation
1521 Westbranch Dr., Suite 100
McLean, VA 22102

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. Certain legal matters will be passed upon for the underwriters and/or sales agents, if any, by the counsel named in the accompanying prospectus supplement.

EXPERTS

The financial statements as of September 30, 2015 and September 30, 2014 and for each of the three years in the period ended September 30, 2015 and management's assessment of the effectiveness of internal control over financial reporting (which is included in the Management's Annual Report on Internal Control over Financial Reporting) as of September 30, 2015 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. PricewaterhouseCoopers LLP's business address is 1800 Tysons Blvd., McLean, VA 22102.

The financial statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2013 and 2012 and Sunshine Media Group, Inc. as of and for the years ended December 31, 2014 and 2013, included in this Prospectus have been so included in reliance on the report of Crowe Horwath LLP, independent auditors given on the authority of said firm as experts in auditing and accounting.

The financial statements of Midwest Metal Distribution, Inc. and Subsidiaries as of and for the years ended December 31, 2013 and 2012, included in this Prospectus have been so included in reliance on the report of SS&G, Inc., independent auditors, given on the authority of said firm as experts in auditing and accounting.

GLADSTONE CAPITAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

Management's Annual Report on Internal Control over Financial Reporting

To the Stockholders and Board of Directors of Gladstone Capital Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of September 30, 2015, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on its assessment, management has concluded that our internal control over financial reporting was effective as of September 30, 2015.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

November 23, 2015

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Gladstone Capital Corporation:

In our opinion, the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, and the related consolidated statements of operations, of changes in net assets, and of cash flows present fairly, in all material respects, the financial position of Gladstone Capital Corporation and its subsidiaries (the "Company") at September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. Our procedures included confirmation of securities at September 30, 2015 and 2014, by correspondence with the custodian, and where replies were not received, we performed alternative auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

McLean, VA

November 23, 2015

Table of Contents

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	September 30, 2015	September 30, 2014
ASSETS		
Investments at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$287,055** and $225,845, respectively)	**$ 277,411**	$ 198,926
Affiliate investments (Cost of **$81,427** and $61,281, respectively)	**66,029**	57,006
Control investments (Cost of **$41,762** and $62,159, respectively)	**22,451**	25,354
Total investments at fair value (Cost of **$410,244** and $349,285, respectively)	**365,891**	281,286
Cash and cash equivalents	**3,808**	6,314
Restricted cash and cash equivalents	**283**	675
Interest receivable, net	**5,581**	2,767
Due from custodian	**1,186**	6,022
Deferred financing fees	**4,161**	3,340
Other assets, net	**1,572**	1,025
TOTAL ASSETS	**$ 382,482**	$ 301,429
LIABILITIES		
Borrowings at fair value (Cost of **$127,300** and $36,700, respectively)	**$ 127,300**	$ 38,013
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **4,000,000** shares authorized and **2,440,000** shares issued and outstanding at September 30, 2015 and 2014, respectively	**61,000**	61,000
Accounts payable and accrued expenses	**597**	462
Interest payable	**272**	146
Fees due to Adviser(A)	**904**	875
Fee due to Administrator(A)	**250**	218
Other liabilities	**715**	1,055
TOTAL LIABILITIES	**$ 191,038**	$ 101,769
Commitments and contingencies(B)		
NET ASSETS		
Common stock, $0.001 par value, **46,000,000** shares authorized and **21,131,622** and **21,000,160** shares issued and outstanding, respectively	**$ 21**	$ 21
Capital in excess of par value(C)	**307,862**	307,348
Note receivable from employee(A)	**—**	(100)
Cumulative net unrealized depreciation of investments	**(44,353)**	(67,999)
Cumulative net unrealized appreciation of other	**(61)**	(1,374)
Overdistributed net investment income(C)	**(1,541)**	(1,928)
Accumulated net realized losses	**(70,484)**	(36,308)
TOTAL NET ASSETS	**$ 191,444**	$ 199,660
NET ASSET VALUE PER COMMON SHARE AT END OF YEAR	**$ 9.06**	$ 9.51

(A) Refer to Note 4—*Related Party Transactions* for additional information.
(B) Refer to Note 11—*Commitments and Contingencies* for additional information.
(C) Refer to Note 9—*Distributions to Common Stockholders* for additional information.

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

Table of Contents

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year ended September 30,		
	2015	2014	2013
INVESTMENT INCOME			
Interest income			
Non-Control/Non-Affiliate investments	$ 27,343	$ 25,117	$ 27,704
Affiliate investments	6,434	3,721	216
Control investments	1,113	3,317	5,481
Other	5	15	132
Total interest income	34,895	32,170	33,533
Other income			
Non-Control/Non-Affiliate investments	2,180	1,885	2,621
Affiliate investments	—	701	—
Control investments	983	1,829	—
Total other income	3,163	4,415	2,621
Total investment income	38,058	36,585	36,154
EXPENSES			
Base management fee(A)	6,888	5,864	5,622
Loan servicing fee(A)	3,816	3,503	3,656
Incentive fee(A)	4,083	4,297	4,343
Administration fee(A)	1,033	853	647
Interest expense on borrowings	3,828	2,628	3,182
Dividend expense on mandatorily redeemable preferred stock	4,116	3,338	2,744
Amortization of deferred financing fees	1,106	1,247	1,211
Professional fees	999	993	514
Other general and administrative expenses	1,189	1,091	1,026
Expenses, before credits from Adviser	27,058	23,814	22,945
Credit to base management fee—loan servicing fee(A)	(3,816)	(3,503)	(3,656)
Credit to fees from Adviser—other(A)	(2,884)	(2,094)	(1,521)
Total expenses, net of credits	20,358	18,217	17,768
NET INVESTMENT INCOME	17,700	18,368	18,386
NET REALIZED AND UNREALIZED (LOSS) GAIN			
Net realized (loss) gain:			
Non-Control/Non-Affiliate investments	(8,410)	(1,431)	(439)
Control investments	(25,256)	(10,732)	(5,314)
Escrows	(510)	50	522
Extinguishment of debt	—	(1,297)	—
Total net realized loss	(34,176)	(13,410)	(5,231)
Net unrealized appreciation (depreciation):			
Non-Control/Non-Affiliate investments	9,116	9,925	(7,125)
Control investments	25,654	6,304	22,414
Affiliate investments	(11,123)	(8,840)	384
Other	1,313	(1,114)	3,391
Total net unrealized appreciation	24,960	6,275	19,064
Net realized and unrealized (loss) gain	(9,216)	(7,135)	13,833
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 8,484	$ 11,233	$ 32,219
BASIC AND DILUTED PER COMMON SHARE:			
Net investment income	$ 0.84	$ 0.87	$ 0.88
Net increase in net assets resulting from operations	$ 0.40	$ 0.53	$ 1.53
Distributions declared and paid per share	$ 0.84	$ 0.84	$ 0.84
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted	21,066,844	21,000,160	21,000,160

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

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

Table of Contents

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(DOLLAR AMOUNTS IN THOUSANDS)

	Year ended September 30,		
	2015	**2014**	**2013**
OPERATIONS			
Net investment income	**$ 17,700**	$ 18,368	$ 18,386
Net realized loss on investments and escrows	**(34,176)**	(12,113)	(5,231)
Realized loss on extinguishment of debt	**—**	(1,297)	—
Net unrealized appreciation of investments	**23,647**	7,389	15,673
Net unrealized depreciation (appreciation) of other	**1,313**	(1,114)	3,391
Net increase in net assets from operations	**8,484**	11,233	32,219
DISTRIBUTIONS			
Distributions to common stockholders from ordinary income	**(17,700)**	(2,430)	(16,309)
Return of capital to common stockholders	**—**	(15,210)	(1,331)
Net decrease in net assets from distributions	**(17,700)**	(17,640)	(17,640)
CAPITAL TRANSACTIONS			
Repayment of principal on employee notes(A)	**100**	75	2,849
Issuance of common stock	**1,169**	—	—
Offering costs for issuance of common stock	**(269)**	—	—
Net increase in net assets from capital transactions	**1,000**	75	2,849
NET (DECREASE) INCREASE IN NET ASSETS	**(8,216)**	(6,332)	17,428
NET ASSETS, BEGINNING OF YEAR	**199,660**	205,992	188,564
NET ASSETS, END OF YEAR	**$ 191,444**	$ 199,660	$ 205,992

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

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

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

	Year ended September 30, 2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in net assets resulting from operations	**$ 8,484**	$ 11,233	$ 32,219
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:			
Purchase of investments	**(136,123)**	(102,045)	(90,157)
Principal repayments on investments	**13,741**	67,860	110,491
Net proceeds from sale of investments	**28,602**	4,700	6,557
Increase in investment balance due to paid-in-kind interest	**(665)**	(288)	(234)
Net change in premiums, discounts and amortization	**149**	(126)	345
Cost adjustments on non-accrual loans	**(328)**	717	—
Net realized loss on investments	**33,666**	12,163	5,753
Net unrealized appreciation of investments	**(23,647)**	(7,389)	(15,673)
Realized loss on extinguishment of debt	**—**	1,297	—
Net unrealized appreciation (depreciation) of other	**(1,313)**	1,114	(3,391)
Decrease (increase) in restricted cash and cash equivalents	**392**	501	(371)
(Increase) decrease in interest receivable	**(2,814)**	(279)	208
Decrease (increase) in funds due from custodian	**4,836**	10,451	(14,296)
Amortization of deferred financing fees	**1,106**	1,247	1,211
Decrease (increase) in other assets	**(547)**	61	(136)
Increase (decrease) in accounts payable and accrued expenses	**135**	(32)	19
Increase (decrease) in interest payable	**126**	(24)	(15)
Increase (decrease) in fees due to Adviser (A)	**29**	(831)	(124)
Increase (decrease) in fee due to Administrator (A)	**32**	92	(48)
(Decrease) increase in other liabilities	**(340)**	51	(222)
Net cash (used in) provided by operating activities	**(74,479)**	473	32,136
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	**147,500**	108,800	84,800
Repayments on borrowings	**(56,900)**	(119,000)	(96,700)
Proceeds from issuance of mandatorily redeemable preferred stock	**—**	61,000	—
Redemption of previously issued mandatorily redeemable preferred stock	**—**	(38,497)	—
Purchase of derivative	**—**	—	(62)
Deferred financing fees	**(1,927)**	(2,797)	(1,340)
Proceeds from issuance of common stock	**1,169**	—	—
Offering costs for issuance of common stock	**(269)**	—	—
Distributions paid to common stockholders	**(17,700)**	(17,640)	(17,640)
Receipt of principal on employee notes (A)	**100**	75	2,849
Net cash provided by (used in) financing activities	**71,973**	(8,059)	(28,093)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,506)**	(7,586)	4,043
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**6,314**	13,900	9,857
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,808**	$ 6,314	$ 13,900
CASH PAID DURING YEAR FOR INTEREST	**$ 3,702**	$ 2,650	$ 3,230
CASH PAID DURING YEAR FOR DIVIDENDS ON MANDATORILY REDEEMABLE PREFERRED STOCK	**4,116**	3,338	2,744
NON-CASH ACTIVITIES (B)	**1,905**	—	—

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

(B) In September 2015, GFRC Holdings, LLC (“GFRC”) was restructured. As part of this restructure we converted our outstanding debt which had a cost basis of $12.7 million into a term note, a line of credit and preferred stock, which resulted in a realized loss of $10.8 million recognized in our accompanying *Consolidated Statements of Operations* during the quarter ended September 30, 2015.

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2015
(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P):					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)(D)	$ 13,000	$ 12,980	$ 12,870
		Member Profit Participation (18.0% ownership)(F)(H)		1,000	564
		Profit Participation Warrants (7.0% ownership)(F)(H)		244	—
				14,224	13,434
Allison Publications, LLC	Printing and publishing	Secured First Lien Line of Credit, $250 available (8.3%, Due 9/2016)(D)	350	350	347
		Secured First Lien Debt (8.3%, Due 9/2018)(D)	2,444	2,444	2,422
		Secured First Lien Debt (13.0%, Due 9/2018)(C)(D)	5,400	5,400	5,360
				8,194	8,129
Alloy Die Casting Corp.	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)(D)	5,235	5,235	4,947
		Preferred Stock (1,742 shares)(F)(H)		1,742	153
		Common Stock (270 shares)(F)(H)		18	—
				6,995	5,100
Behrens Manufacturing, LLC	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018)(D)	4,275	4,275	4,264
		Preferred Stock (1,253 shares)(F)(H)(K)		1,253	2,268
				5,528	6,532
B+T Group Acquisition Inc.	Telecommunications	Secured First Lien Debt (13.0%, Due 12/2019)(D)	6,000	6,000	5,865
		Preferred Stock (5,503 shares)(F)(H)(K)		1,799	—
				7,799	5,865
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	32
Flight Fit N Fun LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Debt (12.0%, Due 9/2020)(J)	7,800	7,800	7,800
		Preferred Stock (700,000 units)(H)(J)		700	700
				8,500	8,500
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (11.4%, Due 4/2020)(D)	15,000	15,000	12,938
		Secured Second Lien Debt (10.3%, Due 4/2020)(D)	7,000	7,000	6,037
		Preferred Equity Units (999 units)(F)(H)		648	747
		Common Equity Units (999 units)(F)(H)		1	206
				22,649	19,928

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
Funko, LLC	Personal and non-durable consumer products	Secured First Lien Debt (9.3%, Due 5/2019)(F)(G)	7,500	7,500	7,500
		Secured First Lien Debt (9.3%, Due 5/2019)(F)(G)	2,000	2,000	2,000
		Preferred Equity Units (1,305 units)(L)(H)		1,305	17,314
				10,805	26,814
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $840 available (9.0%, Due 9/2018)(J)	360	360	360
		Secured First Lien Debt (9.0%, Due 9/2018)(J)	1,000	1,000	1,000
		Preferred Stock (1,000 shares)(H)(J)		1,025	1,025
		Common stock warrant (45% ownership)(H)(J)		—	—
				2,385	2,385
Heartland Communications Group	Broadcasting and entertainment	Secured First Lien Line of Credit, $0 available (5.0%, Due 10/2015)(F)(G)(I)	91	82	31
		Secured First Lien Line of Credit, $0 available (10.0%, Due 10/2015)(F)(G)(I)	91	74	31
		Secured First Lien Debt (5.0%, Due 10/2015)(F)(G)(I)	3,931	3,568	1,338
		Common Stock Warrants (8.8% ownership)(F)(H)		66	—
				3,790	1,400
J.America, Inc.	Personal and non-durable consumer products	Secured Second Lien Debt (10.4%, 1.0% PIK, Due 12/2019)(D)(G)	$ 7,538	$ 7,538	$ 7,331
		Secured Second Lien Debt (11.5%, 1.0% PIK, Due 12/2019)(D)(G)	9,548	9,548	9,274
				17,086	16,605
Leeds Novamark Capital I, L.P.	Private equity fund– healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,214 uncalled capital commitment)(H)(O)		781	555
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Secured First Lien Debt (11.0%, Due 11/2014)(D)	6,699	6,699	3,816
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)(D)	4,140	4,140	4,036
		Preferred Stock (1,449 shares)(F)(H)		1,449	—
				5,589	4,036
Mikawaya	Beverage, Food and Tobacco	Secured Second Lien Debt (11.5%, Due 1/2021)(J)	6,750	6,750	6,750
		Common Stock (2.49% ownership)(H)(J)		450	450
				7,200	7,200
Precision Acquisition Group Holdings, Inc.	Machinery	Secured First Lien Equipment Note (11.0%, Due 4/2016)(D)	1,000	1,000	1,104
		Secured First Lien Debt (11.0%, Due 4/2016)(D)	4,125	4,125	2,910
		Secured First Lien Debt (11.0%, Due 4/2016)(C)(D)	4,053	4,053	640
				9,178	4,654

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
Southern Petroleum Laboratories, Inc.	Oil and gas	Secured Second Lien Debt (11.5%, Due 2/2020)(D)	8,000	8,000	7,600
		Preferred Stock (4,054,054 shares)(F)(H)		750	1,274
				8,750	8,874
Triple H Food Processors	Beverage, Food and Tobacco	Secured First Lien Line of Credit, $1,500 available (7.8%, Due 8/2018)(J)	—	—	—
		Secured First Lien Debt (9.8%, Due 8/2020)(J)	8,000	8,000	8,000
		Common Stock (250,000 units)(H)(J)		250	250
				8,250	8,250
TWS Acquisition Corporation	Healthcare, education and childcare	Secured First Lien Line of Credit, $1,500 available (10.0%, Due 7/2017)(J)	—	—	—
		Secured First Lien Debt (10.0%, Due 7/2020)(J)	13,000	13,000	13,000
				13,000	13,000
United Flexible, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $4,000 available (7.0%, Due 2/2018)(D)	—	—	—
		Secured First Lien Debt (9.3%, Due 2/2020)(D)	20,284	20,284	20,030
		Preferred Stock (245 shares)(F)(H)		245	261
		Common Stock (500 shares)(F)(H)		5	64
				20,534	20,355
Vision Government Solutions, Inc.	Diversified/conglomerate service	Secured First Lien Line of Credit, $550 available (7.5%, Due 12/2017)(D)	1,450	1,450	1,434
		Secured First Lien Debt (9.75%, Due 12/2019)(D)	9,000	9,000	8,899
				10,450	10,333
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, $2,525 available (8.0%, Due 3/2016)(D)	2,475	2,475	2,388
		Secured First Lien Debt (8.0%, Due 3/2019)(D)	12,750	12,750	12,307
		Secured First Lien Debt (12.0%, Due 3/2019)(D)	7,000	7,000	6,748
		Preferred Stock (1,000 shares)(F)(H)		477	477
				22,702	21,920
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Debt (12.5%, Due 4/2016)(D)	$ 4,000	$ 4,000	$ 4,013
		Common Stock (58,333 shares)(F)(H)		408	639
				4,408	4,652
Subtotal – Non-Control/Non-Affiliate Proprietary Investments				**$225,604**	**$222,369**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Secured First Lien Debt (9.0% and 1.3% PIK, Due 3/2016)(E)	$ 7,367	$ 7,352	$ 7,367
Autoparts Holdings Limited	Automobile	Secured Second Lien Debt (11.0%, Due 1/2018)(E)	700	698	692

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
First American Payment Systems, L.P.	Finance	Secured Second Lien Debt (10.8%, Due 4/2019)(L)	4,195	4,172	4,006
GTCR Valor Companies, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	3,000	2,984	2,940
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.3%, Due 7/2020)(E)	4,000	3,989	3,720
PLATO Learning, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.0% PIK, Due 6/2020)(D)(G)	2,718	2,666	2,715
		Common Stock (21,429 shares)(F)(H)		2,637	—
				5,303	2,715
PSC Industrial Holdings Corp.	Diversified/conglomerate service	Secured Second Lien Debt (9.3%, Due 12/2021)(E)	3,500	3,436	3,430
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019)(E)	2,000	1,971	1,720
SourceHOV LLC	Finance	Secured Second Lien Debt (11.5%, Due 4/2020)(E)	5,000	4,822	4,350
Targus Group International, Inc.	Textiles and leather	Secured First Lien Debt (13.8% and 1.0% PIK, Due 5/2016)(E)	8,976	8,950	6,911
The Active Network, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	1,000	996	930
Vertellus Specialties Inc.	Chemicals, plastics and rubber	Secured First Lien Debt (10.5%, Due 10/2019)(E)	3,960	3,839	3,524
Vision Solutions, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 7/2017)(E)	8,000	7,968	7,960
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021)(E)	4,500	4,476	4,388
W3 Co.	Oil and gas	Secured Second Lien Debt (9.3%, Due 9/2020)(E)	499	495	389
Subtotal – Non-Control/Non-Affiliate Syndicated Investments				**$ 61,451**	**$ 55,042**
Total Non-Control/Non-Affiliate Investments (represented 75.8% of total investments at fair value)				**$287,055**	**$277,411**
AFFILATE INVESTMENTS(Q) :					
Proprietary Investments:					
Ashland Acquisition LLC	Printing and publishing	Secured First Lien Line of Credit, $1,500 available (12.0%, Due 7/2016)(D)(G)	$ —	$ —	$ —
		Secured First Lien Debt (12.0%, Due 7/2018)(D)(G)	7,000	7,000	7,017
		Preferred Equity Units (4,400 units)(F)(H)		440	574
		Common Equity Units (4,400 units)(F)(H)		—	238
				7,440	7,829
Edge Adhesives Holdings, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Debt (12.5%, Due 2/2019)(D)	$ 6,200	$ 6,200	$ 6,123
		Secured First Lien Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,582
		Preferred Stock (2,516 shares)(F)(H)		2,516	—
				10,316	7,705

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
AFFILIATE INVESTMENTS(Q) (Continued):					
FedCap Partners, LLC	Private equity fund—aerospace and defense	Class A Membership Units (80 units) (H)(N)		1,634	1,647
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 2/2021)(D)	6,000	6,000	5,940
		Secured Second Lien Debt (12.0%, Due 2/2021)(D)	8,000	8,000	7,920
		Common Stock (152,603 shares)(F)(H)		1,855	2,211
				15,855	16,071
LWO Acquisitions Company LLC	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $1,950 available (6.5%, Due 12/2017)(D)	1,050	1,050	1,049
		Secured First Lien Debt (9.5%, Due 12/2019)(D)	10,579	10,579	10,566
		Common Stock (921,000 shares)(F)(H)		921	545
				12,550	12,160
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Line of Credit, $0 available (9.0%, Due 12/2015)(F)	4,000	4,000	4,000
		Secured First Lien Mortgage Note (9.5%, Due 12/2015)(F)(G)	6,871	6,871	6,871
		Secured First Lien Debt (12.0%, Due 12/2015)(C)(F)	11,392	11,392	9,746
		Secured First Lien Debt (12.5%, Due 12/2015)(F)(G)	6,000	6,000	—
		Preferred Stock (4,999,000 shares)(F)(H)(K)		4,999	—
		Common Stock (2,000,000 shares)(F)(H)		370	—
				33,632	20,617
Total Affiliate Proprietary Investments (represented 18.1% of total investments at fair value)				**$81,427**	**$66,029**
CONTROL INVESTMENTS(R):					
Proprietary Investments:					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 2/2019)(F)	$ 6,385	$ 6,385	$ 6,384
		Common Stock (15,500 shares)(F)(H)		1	6,586
				6,386	12,970
Lindmark Acquisition, LLC	Broadcasting and entertainment	Secured First Lien Debt, $0 available (25.0%, Due Upon Demand)(F)(G)	—	—	—
		Success Fee on Secured Second Lien Debt(F)	—	—	20
		Common Stock (100 shares)(F)(H)		317	—
				317	20
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, $604 available (8.0%, Due 5/2016)(F)(G)	$ 1,396	$ 1,396	$ 1,396
		Secured First Lien Debt (8.0%, Due 5/2016)(F)(G)	5,000	5,000	2,379
		Secured First Lien Debt (4.8%, Due 5/2016)(F)(I)	11,948	11,948	5,686
		Secured First Lien Debt (5.5%, Due 5/2016)(C)(F)(I)	10,700	10,700	—

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
		Preferred Stock (15,270 shares)(F)(H)(K)		5,275	—
		Common Stock (1,867 shares)(F)(H)		740	—
		Common Stock Warrants (72 shares) (F)(H)		—	—
				35,059	9,461
Total Control Proprietary Investments (represented 6.1% of total investments at fair value)				**$ 41,762**	**$ 22,451**
TOTAL INVESTMENTS(S)				**$410,244**	**$365,891**

(A) Certain of the securities listed in the above schedule are issued by affiliate(s) of the indicated portfolio company. Additionally, the majority of the securities listed above, totaling $312.0 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5—*Borrowings.*

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day London Interbank Offered Rate ("LIBOR")) in effect at September 30, 2015, and due dates represent the contractual maturity date. If applicable, paid-in-kind ("PIK") interest rates are noted separately from the cash interest rates. Senior debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) Last out tranche ("LOT") of debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after all other debt holders.

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

(E) Fair value was based on the indicative bid price on or near September 30, 2015, offered by the respective syndication agent's trading desk.

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

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New, or restructured proprietary investment valued at cost, as it was determined that the price paid during the quarter ended September 30, 2015 best represents fair value as of September 30, 2015.

(K) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(L) Subsequent to September 30, 2015, the investment was sold, and as such the fair value as of September 30, 2015 was based upon the sales amount.

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

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

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

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

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

(S) Cumulative gross unrealized depreciation for federal income tax purposes is $70.4 million; cumulative gross unrealized appreciation for federal income tax purposes is $25.7 million. Cumulative net unrealized depreciation is $44.7 million, based on a tax cost of $410.6 million.

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

GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2014
(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P):					
Proprietary investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)(D)	$ 13,000	$12,899	$12,838
		Member Profit Participation (18.0% ownership)(F)(H)		1,000	—
		Profit Participation Warrants (7.0% ownership)(F)(H)		244	—
				14,143	12,838
Allison Publications, LLC	Printing and publishing	Secured First Lien Line of Credit, $0 available (8.3%, Due 9/2016)(D)	600	600	598
		Secured First Lien Debt (8.3%, Due 9/2018)(D)	2,875	2,875	2,864
		Secured First Lien Debt (13.0%, Due 9/2018)(C)(D)	5,400	5,400	5,380
				8,875	8,842
Alloy Die Casting Co.	Diversified/ conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)(D)	5,235	5,235	5,228
		Preferred Stock (1,742 shares)(F)(H)		1,742	1,122
		Common Stock (270 shares)(F)(H)		18	—
				6,995	6,350
Behrens Manufacturing, LLC	Diversified/ conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018)(D)	4,275	4,275	4,280
		Preferred Stock (1,253 shares)(F)(H)(M)		1,253	1,150
				5,528	5,430
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	95
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (12.4%, Due 11/2017)(D)(K)	15,000	15,000	14,550
		Secured Second Lien Debt (11.3%, Due 11/2017)(J)(K)	7,000	7,000	7,000
		Preferred Equity Units (999 units)(F)(H)		983	1,081
		Common Equity Units (999 units)(F) H)		1	206
				22,984	22,837
Funko, LLC	Personal and non-durable consumer products	Secured First Lien Debt (12.0% and 1.5% PIK, Due 5/2019)(D)	7,645	7,645	7,817
		Preferred Equity Units (1,305 units)(F)(H)		1,305	5,691
				8,950	13,508
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $130 available (10.5%, Due 12/2014)(D)	270	270	149
		Secured First Lien Debt (10.5%, Due 6/2016)(D)	4,924	4,924	2,708
		Secured First Lien Debt (13.0%, Due 6/2016)(D)	6,598	6,598	3,761
				11,792	6,618

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
Heartland Communications Group	Broadcasting and entertainment	Secured First Lien Line of Credit, $0 available (5.0%, Due 9/2014)(D)(G)(I)	100	97	65
		Secured First Lien Line of Credit, $0 available (10.0%, Due 9/2014)(D)(G)(I)	100	93	65
		Secured First Lien Debt (5.0%, Due 9/2014)(D)(G)(I)	4,342	4,196	809
		Common Stock Warrants (8.8% ownership)(F)(H)		66	—
				4,452	939
J.America, Inc.	Personal and non-durable consumer products	Secured Second Lien Debt (10.4%, Due 12/2019)(D)(G)	7,500	7,500	7,350
		Secured Second Lien Debt (11.5%, Due 12/2019)(D)(G)	9,500	9,500	9,298
				17,000	16,648
Leeds Novamark Capital I, L.P.	Private equity fund – healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,827 uncalled capital commitment)(H)(O)		173	36
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Secured First Lien Debt (12.0%, Due 1/2014)(D)	6,699	6,699	3,757
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)(D)	$ 4,140	$ 4,140	$ 4,135
		Convertible Preferred Stock (1,449 shares)(F)(H)		1,449	1,549
				5,589	5,684
North American Aircraft Services, LLC	Aerospace and defense	Secured Second Lien Debt (12.5%, Due 8/2016)(F)(L)	2,115	2,115	2,115
		Success Fee on Secured Second Lien Debt(F)(L)		—	639
		Common Stock Warrants (35,000 shares)(F)(H)(L)		350	1,928
				2,465	4,682
Precision Acquisition Group Holdings, Inc.	Machinery	Secured First Lien Equipment Note (9.0%, Due 3/2015)(D)	1,000	1,000	881
		Secured First Lien Debt (9.0%, Due 3/2015)(D)	4,125	4,125	485
		Secured First Lien Debt (9.0%, Due 3/2015)(C)(D)	4,053	4,053	457
				9,178	1,823
Saunders & Associates	Electronics	Secured First Lien Line of Credit, $0 available (11.3%, Due 5/2013)(D)	917	917	413
		Secured First Lien Debt (11.3%, Due 5/2013)(D)	8,947	8,947	4,026
				9,864	4,439
Southern Petroleum Laboratories, Inc.	Oil and gas	Secured Second Lien Debt (11.5%, Due 2/2020)(J)	8,000	8,000	8,000
		Preferred Stock (4,054,054 shares)(H)(J)		750	750
				8,750	8,750
Sunburst Media—Louisiana, LLC	Broadcasting and entertainment	Secured First Lien Debt (8.5%, Due 2/2016)(F)(G)	6,026	6,026	1,600

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, $526 available (8.0%, Due 3/2015)(D)	1,474	1,474	1,452
		Secured First Lien Debt (8.0%, Due 3/2019)(D)	4,500	4,500	4,433
		Secured First Lien Debt (12.0%, Due 3/2019)(D)	4,500	4,500	4,421
		Preferred Stock (1,000 shares)(F)(H)		250	454
				10,724	10,760
Westland Technologies, Inc.	Diversified/ conglomerate manufacturing	Secured First Lien Debt (7.5%, Due 4/2016)(D)	50	50	46
		Secured First Lien Debt (12.5%, Due 4/2016)(D)	4,000	4,000	3,699
		Common Stock (58,333 shares)(H)		408	58
				4,458	3,803
Subtotal–Non-Control/Non-Affiliate Proprietary investments				**$164,753**	**$139,439**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Secured First Lien Debt (9.0% and 1.5% PIK, Due 3/2016)(E)	$ 7,335	$ 7,283	$ 6,235
Ardent Medical Services, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (11.0%, Due 1/2019)(E)	7,143	7,135	7,224
Autoparts Holdings Limited	Automobile	Secured Second Lien Debt (10.5%, Due 1/2018)(E)	833	830	800
Blue Coat Systems, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 6/2020)(E)	3,000	2,974	3,038
Envision Acquisition Company, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.8%, Due 11/2021)(E)	2,500	2,454	2,500
First American Payment Systems, L.P.	Finance	Secured Second Lien Debt (10.8%, Due 4/2019)(E)	4,195	4,167	4,205
GTCR Valor Companies, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	3,000	2,982	2,970
New Trident Holdcorp, Inc.	Healthcare, education and Childcare	Secured Second Lien Debt (10.3%, Due 7/2020)(E)	4,000	3,987	4,000
PLATO Learning, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (11.3%, Due 5/2019)(E)	$ 5,000	$ 4,925	$ 5,000
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019)(E)	2,000	1,967	1,898
Sensus USA, Inc.	Electronics	Secured Second Lien Debt (8.5%, Due 5/2018)(E)	500	497	495
Targus Group International, Inc.	Textiles and leather	Secured First Lien Debt (11.0% and 1.0% PIK, Due 5/2016)(D)	9,034	8,956	8,171
The Active Network	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	1,000	995	1,000
Vision Solutions, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 7/2017)(E)	11,000	10,953	10,972
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021)(E)	500	493	495
W3, Co.	Oil and Gas	Secured Second Lien Debt (9.3%, Due 9/2020)(E)	499	494	484
Subtotal–Non-Control/Non-Affiliate Syndicated investments				**$ 61,092**	**$ 59,487**
Total Non-Control/Non-Affiliate Investments (represented 70.7% of total investments at fair value)				**$225,845**	**$198,926**

[Table of Contents](#)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
AFFILATE INVESTMENTS(Q) :					
Ashland Acquisition, LLC	Printing and publishing	Secured First Lien Line of Credit, $1,500 available (12.0%, Due 7/2016)(D)(G)	$ —	$ —	$ —
		Secured First Lien Debt (12.0%, Due 7/2018)(D)(G)	7,000	7,000	7,053
		Preferred Equity Units (4,400 units)(F)(H)		440	206
		Common Equity Units (4,400 units)(F)(H)		—	—
				7,440	7,259
Edge Adhesives Holdings, Inc.	Diversified/ conglomerate manufacturing	Secured First Lien Line of Credit, $230 available (12.5%, Due 8/2015)(D)	770	770	768
		Secured First Lien Debt (12.5%, Due 2/2019)(D)	6,200	6,200	6,208
		Secured First Lien Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,604
		Secured First Lien Debt (13.8%, Due 11/2014)(J)	585	585	585
		Preferred Stock (2,316 shares)(F)(H)		2,316	2,885
				11,471	12,050
FedCap Partners, LLC	Private equity fund– aerospace and defense	Class A Membership Units (80 units) (H)(N)		1,718	2,238
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 3/2020)(D)	6,000	6,000	6,007
		Common Stock (100,000 shares)(F)(H)		1,000	1,169
				7,000	7,176
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Line of Credit, $0 available (9.0%, Due 6/2014)(F)	4,000	4,000	4,000
		Secured First Lien Mortgage Note (9.5%,Due 12/2014) (F)(G)	6,891	6,891	6,891
		Secured First Lien Debt (12.0%, Due 12/2014)(C)(F)	11,392	11,392	11,392
		Secured First Lien Debt (12.5%, Due 12/2014)(F)(G)	6,000	6,000	6,000
		Preferred Stock (4,999,000 shares)(F)(H)(M)		4,999	—
		Common Stock (2,000,000 shares)(F)(H)		370	—
				33,652	28,283
Total Affiliate Proprietary Investments (represented 20.3% of total investments at fair value)				**$61,281**	**$57,006**
CONTROL INVESTMENTS(R):					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 4/2016)(C)(F)	$ 6,545	$ 6,545	$ 6,545
		Common Stock (15,500 shares)(F)(H)		1	6,461
				6,546	13,006
Lindmark Acquisition, LLC	Broadcasting and entertainment	Secured First Lien Debt, $3,120 available (25.0%, Due Upon Demand)(F)(G)	$ —	$ —	$ —
		Success Fee on Secured Second Lien Debt(F)		—	89
		Common Stock (100 shares)(F)(H)		317	—
				317	89

Table of Contents

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
CONTROL INVESTMENTS(R) (Continued):					
Midwest Metal Distribution, Inc.	Mining, steel, iron and non-precious metals	Secured Second Lien Debt (12.0%, Due 7/2015)(F)(I)	18,281	17,720	4,455
		Preferred Stock (2,000 shares)(F)(H)(M)		2,175	—
		Common Stock (501 shares)(F)(H)		138	—
				20,033	4,455
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, $400 available (4.8%, Due 5/2016)(D)(I)	1,600	1,600	424
		Secured First Lien Debt (4.8%, Due 5/2016)(D)(I)	16,948	16,948	4,491
		Secured First Lien Debt (5.5%, Due 5/2016)(C)(D)(I)	10,700	10,700	2,889
		Preferred Stock (15,270 shares)(F)(H)(M)		5,275	—
		Common Stock (1,867 shares)(F)(H)		740	—
		Common Stock Warrants (72 shares)(F)(H)		—	—
				35,263	7,804
Total Control Proprietary Investments (represented 9.0% of total investments at fair value)				**$ 62,159**	**$ 25,354**
TOTAL INVESTMENTS(S)				**$ 349,285**	**$ 281,286**

(A) Certain of the securities listed in the above schedule are issued by affiliate(s) of the indicated portfolio company. Additionally, the majority of the securities listed above, totaling $222.0 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5—*Borrowings.*

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day LIBOR) in effect at September 30, 2014, and due dates represent the contractual maturity date. If applicable, PIK interest rates are noted separately from the cash interest rates. Senior debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) LOT of debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after all other debt holders.

(D) Fair value was based on an internal yield analysis or on estimates of value submitted by SPSE.

(E) Fair value was based on the indicative bid price on or near September 30, 2014, offered by the respective syndication agent's trading desk.

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

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New or follow-on proprietary investment valued at cost, as it was determined that the price paid during the quarter ended September 30, 2014 best represents fair value as of September 30, 2014.

(K) Subsequent to September 30, 2014, the debt interest rates on Francis Drilling Fluids, Ltd. were decreased to approximately 11.9% and 10.8%, respectively, based on a leverage grid.

(L) Subsequent to September 30, 2014, North American Aircraft Services, LLC debt and equity investment cost basis were paid off, resulting in a realized gain of $1.6 million and success fees of $0.6 million. As such, the fair value as of September 30, 2014 was based upon the payoff amount.

(M) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

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

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

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

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

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

(S) Cumulative gross unrealized depreciation for federal income tax purposes is $84.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $15.6 million. Cumulative net unrealized depreciation is $68.7 million, based on a tax cost of $349.9 million.

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

GLADSTONE CAPITAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

Gladstone Capital Corporation was incorporated under the Maryland General Corporation Law on May 30, 2001 and completed an initial public offering on August 23, 2001. The terms "the Company," "we," "our" and "us" all refer to Gladstone Capital Corporation and its consolidated subsidiaries. We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act") and is applying the guidance of the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification Topic 946 "*Financial Services-Investment Companies*." In addition, we have elected to be treated for tax purposes as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States ("U.S"). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established small and medium-sized businesses in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

Gladstone Business Loan, LLC ("Business Loan"), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio investments in connection with our revolving line of credit.

Gladstone Financial Corporation ("Gladstone Financial"), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial acquired this license in February 2007. The license enables us, through this subsidiary, to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of September 30, 2015 and 2014, we held no investments through Gladstone Financial.

The financial statements of the foregoing two subsidiaries are consolidated with those of ours. We also have significant subsidiaries whose financial statements are not consolidated with ours. Refer to Note 14—*Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by our investment adviser, Gladstone Management Corporation (the "Adviser"), a Delaware corporation and a Securities and Exchange Commission (the "SEC") registered investment adviser and an affiliate of ours, pursuant to an investment advisory and management agreement. Administrative services are provided by our affiliate, Gladstone Administration, LLC (the "Administrator"), a Delaware limited liability company, pursuant to an administration agreement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our *Consolidated Financial Statements* and the accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and conform to Regulation S-X under the Securities Exchange Act of 1934, as amended. Management believes it has made all necessary adjustments so that our accompanying *Consolidated Financial Statements* are presented fairly and that all such adjustments are of a normal recurring nature. Our accompanying *Consolidated Financial Statements* include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain amounts in our prior fiscal year's consolidated financial statements have been reclassified to conform to the presentation for the year ended September 30, 2015 with no effect on our financial condition, results of operations or cash flows.

Consolidation

Under Article 6 of Regulation S-X under the Securities Act of 1933, as amended, and the authoritative accounting guidance provided by the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest.

Use of Estimates

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

Classification of Investments

In accordance with the BDC regulations in the 1940 Act, we classify portfolio investments on our accompanying *Consolidated Financial Statements* into the following categories:

- *Control Investments*—Control investments are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities;
- *Affiliate Investments*—Affiliate investments are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities that are not classified as Control Investments; and
- *Non-Control/Non-Affiliate Investments*—Non-Control/Non-Affiliate investments are those that are neither control nor affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

Cash and cash equivalents

We consider all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Cash is carried at cost, which approximates fair value. We place our cash with financial institutions, and at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. We seek to mitigate this concentration of credit risk by depositing funds with major financial institutions.

Restricted Cash and Cash Equivalents

Restricted cash is cash held in escrow that was generally received as part of an investment exit. Restricted cash is carried at cost, which approximates fair value.

Investment Valuation Policy

Accounting Recognition

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

Board Responsibility

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

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 our chief valuation officer, who reports directly to our Board of Directors, uses the Policy and each quarter the Valuation Committee and 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.

Use of Third Party Valuation Firms

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

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

We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and the Valuation team with oversight from the Valuation Committee, evaluates such information for incorporation into the total enterprise value of certain of our investments. We generally engage an independent valuation firm quarterly to value or review our valuation of our significant equity investments, on a rotating basis so that each significant equity investment is reviewed once a year. Such third party inputs are taken into consideration as one of the many data points in determining fair value under the Policy.

Valuation Techniques

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

- *Total Enterprise Value*—In determining the fair value using a total enterprise value ("TEV"), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company's ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization ("EBITDA")); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries, inputs provided by a third party independent valuation firm, if any, and other pertinent factors. The Valuation Team generally references industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then allocates the TEV to the portfolio company's securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

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

- *Yield Analysis*—The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team's own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

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

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

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the current reporting quarter (the quarter ended September 30, 2015) are generally valued at original cost basis.

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

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

Interest Income Recognition

Interest income, adjusted for amortization of premiums, acquisition costs and amendment fees, accretion of original issue discounts ("OID") and paid-in-kind ("PIK"), is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management's judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. At September 30, 2015, two portfolio companies were either fully or partially on non-accrual status with an aggregate debt cost basis of approximately $26.4 million, or 7.1% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $7.1 million, or 2.2% of the fair value of all debt investments in our portfolio. At September 30, 2014, three portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of approximately $13.2 million, or 5.2% of the fair value of all debt investments in our portfolio.

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

As of September 30, 2015 and 2014, we had 17 OID loans, primarily from the syndicated loans in our portfolio. We recorded OID income of $0.3 million, $0.2 million and $0.3 million for the years ended September 30, 2015, 2014 and 2013, respectively. The unamortized balance of OID investments as of September 30, 2015 and 2014 totaled $0.6 million. As of September 30, 2015 and 2014, we had four and three investments which had a PIK interest component, respectively. We recorded PIK interest income of $0.7 million, $0.3 million and $0.3 million for the years ended September 30, 2015, 2014 and 2013, respectively. We collected $0, $0.1 million and $0 of PIK interest in cash for the years ended September 30, 2015, 2014 and 2013, respectively.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We recorded an aggregate of $1.9 million in success fees during the year ended September 30, 2015, which resulted from $0.6 million related to the early payoff of North American Aircraft Services, LLC (“NAAS”) at a realized gain, $0.3 million prepayment of success fees by Francis Drilling Fluids, Ltd (“FDF”), $0.7 million prepayment of success fees by Defiance Integrated Technologies, Inc. (“Defiance”), $0.1 million prepayment of success fees by Southern Petroleum Laboratories, Inc. (“SPL”) and $0.2 million of success fees related to our sale of substantially all of the assets in Lindmark Acquisition, LLC (“Lindmark”) and the ensuing pay down of our debt investments in Lindmark at par in September 2013. We received an aggregate of $2.4 million in success fees during the year ended September 30, 2014, which resulted from $0.5 million related to the early payoff at par of Thibaut Acquisition Co. (“Thibaut”), $0.5 million prepayment by FDF and $1.4 million from Lindmark.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. During the year ended September 30, 2015, we recorded an aggregate of $0.9 million of dividend income, which resulted from $0.1 million from our preferred equity investment in FDF, $0.5 from our preferred equity investment in Funko, LLC (“Funko”) and $0.3 million from our preferred equity investment in SPL. During the year ended September 30, 2014, we recorded an aggregate of $1.0 million of dividend income, net of estimated income taxes payable, which resulted from $0.2 million on our preferred equity investment in FDF, $0.7 million on our investment in FedCap Partners, LLC (“FedCap”) and $0.1 million on our preferred equity investment in Funko.

We generally record prepayment fees upon receipt of cash. Prepayment fees are contractually due at the time of an investment’s exit, based on the prepayment fee schedule. During the year ended September 30, 2015, we did not receive any prepayment fees. During the year ended September 30, 2014, we received an aggregate of $0.5 million in prepayment fees from the early payoffs at par of one of our proprietary investments and six of our syndicated investments (including one partial paydown).

Success fees, prepayment fees and dividend income are all recorded in other income in our accompanying *Consolidated Statements of Operations*. In addition, we received $0.3 million in a legal settlement related to a previously exited portfolio company that was recorded in other income during the year ended September 30, 2015. During the year ended September 30, 2014 we recorded $0.4 million in May 2014 in a legal settlement related to a previously exited portfolio company.

Deferred Financing Fees

Deferred financing costs consist of costs incurred to obtain financing, including legal fees, origination fees and administration fees. Costs associated with our revolving line of credit and the issuance of our mandatorily redeemable preferred stock are deferred and amortized in our accompanying *Consolidated Statements of Operations* using the straight-line method, which approximates the effective interest method, over the terms of the respective financing instrument. Refer to Note 6—*Mandatorily Redeemable Preferred Stock* for additional information regarding our preferred stock and Note 5—*Borrowings* for additional information regarding our revolving line of credit.

Related Party Fees

We have entered into an investment advisory and management agreement (the “Advisory Agreement”) with the Adviser. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. These fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter.

The Adviser also services the loans held by Business Loan in return for which the Adviser receives a 1.5% annual fee based on the monthly aggregate outstanding balance of loans pledged under our revolving line of credit. This fee is also accrued at the end of the quarter when the service is performed and generally paid the following quarter.

We have entered into an administration agreement (the "Administration Agreement") with the Administrator whereby we pay separately for administrative services. These administrative fees are accrued at the end of the quarter when the services are performed and generally paid the following quarter. Refer to Note 4—*Related Party Transactions* for additional information regarding these related party fees and agreements.

Income Taxes

We intend to continue to qualify for treatment as a RIC under subchapter M of the Code, which generally allows us to avoid paying corporate income taxes on any income or gains that we distribute to our stockholders. We intend to continue to distribute sufficient dividends to eliminate taxable income. Refer to Note 10—*Federal and State Income Taxes* for additional information regarding our RIC requirements.

We have certain wholly-owned taxable subsidiaries (the "Taxable Subsidiaries"), each of which holds one or more of the portfolio investments that are listed on our accompanying *Consolidated Schedules of Investments*. The purpose of the Taxable Subsidiaries is to permit us to hold certain portfolio companies that are organized as limited liability companies ("LLCs") (or other forms of pass-through entities) while satisfying the RIC tax requirement that at least 90.0% of the RIC's gross revenue for income tax purposes consist of qualifying investment income. When LLCs (or other pass-through entities) are owned by the Taxable Subsidiaries, their income is taxed to the Taxable Subsidiaries and does not flow through to the RIC, thereby helping us preserve our RIC status. The Taxable Subsidiaries are not consolidated for income tax purposes and may generate income tax expense as a result of their ownership of the portfolio companies. This income tax expense totaled $7.5 million, $0 and $0 for the years ended September 30, 2015, 2014 and 2013, respectively, and was recorded in net realized appreciation (depreciation) on our accompanying *Consolidated Statements of Operations*.

ASC 740, "*Income Taxes*" requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authorities. Tax positions not deemed to satisfy the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current fiscal year. We have evaluated the implications of ASC 740, for all open tax years and in all major tax jurisdictions, and determined that there is no material impact on our accompanying *Consolidated Financial Statements*. Our federal tax returns for fiscal years 2012—2014 remain subject to examination by the Internal Revenue Service ("IRS").

Distributions

Distributions to stockholders are recorded on the ex-dividend date. We are required to pay out at least 90.0% of our investment company taxable income, which is generally our net ordinary income plus the excess of our net short-term capital gains over net long-term capital losses for each taxable year as a distribution to our stockholders in order to maintain our ability to be taxed as a RIC under Subchapter M of the Code. It is our policy to pay out as a distribution up to 100.0% of those amounts. The amount to be paid is determined by our Board of Directors each quarter and is based on the annual earnings estimated by our management. Based on that estimate, a distribution is declared each quarter and is paid out monthly over the course of the respective quarter. Refer to Note 9—*Distributions to Common Stockholders* for further information.

Our transfer agent, Computershare, Inc., offers a dividend reinvestment plan for our common stockholders. 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. As plan agent, Computershare, Inc. purchases shares in the open market in connection with the obligations under the plan. We do not have a dividend reinvestment plan for our preferred stock stockholders.

Recent Accounting Pronouncements

In August 2015, the FASB issued Accounting Standards Update 2015-15, "*Interest—Imputation of Interest (Subtopic 835-30)*" ("ASU 2015-15"), which codifies an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line of credit arrangements as assets. We have assessed the impact of ASU 2015-15 and identified no impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-15 was effective immediately.

In May 2015, the FASB issued ASU 2015-07, "*Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*" ("ASU 2015-07"), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value measures at net asset value per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. We are currently assessing the impact of ASU 2015-07 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-07 is required to be adopted retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

In April 2015, the FASB issued ASU 2015-03, "*Simplifying the Presentation of Debt Issuance Costs*" ("ASU-2015-03"), which simplifies the presentation of debt issuance costs. We are currently assessing the impact of ASU 2015-03 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

In February 2015, the FASB issued ASU 2015-02, "*Amendments to the Consolidation Analysis*" ("ASU 2015-02"), which amends or supersedes the scope and consolidation guidance under existing GAAP. The new standard changes the way a reporting entity evaluates whether a) limited partnerships and similar entities should be consolidated, b) fees paid to decision makers or service providers are variable interests in a variable interest entity ("VIE"), and c) variable interests in a VIE held by related parties require the reporting entity to consolidate the VIE. ASU 2015-02 also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. We are currently assessing the impact of ASU 2015-02 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

In August 2014, the FASB issued Accounting Standards Update 2014—15 ("ASU 2014-15), "*Presentation of Financial Statements—Going Concern (Subtopic 205 – 40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*." ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position or results of operations from adopting this standard. We are currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for the annual period ended December 31, 2016 and for annual periods and interim periods thereafter with early adoption permitted.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. We are currently assessing the impact of ASU 2014-09 and anticipate no impact on our financial position or results of operations from adopting this standard. In July 2015, the FASB voted to defer the effective date of ASU 2014-09 until January 1, 2018, with early adoption permitted beginning January 1, 2017.

NOTE 3. INVESTMENTS

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

- *Level 1*—inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;
- *Level 2*—inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and
- *Level 3*—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team’s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of September 30, 2015 and 2014, all of our investments were valued using Level 3 inputs and during the years ended September 30, 2015 and 2014, there were no transfers in or out of Level 1, 2 and 3.

[Table of Contents](#)

The following table presents our investments carried at fair value as of September 30, 2015 and 2014, by caption on our accompanying *Consolidated Statements of Assets and Liabilities* and by security type, all of which are valued using level 3 inputs:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3) As of September 30, 2015	2014
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 150,426**	$ 78,031
Secured second lien debt	**100,039**	106,869
Preferred equity	**21,767**	10,593
Common equity/equivalents	**5,179**	3,433
Total Non-Control/Non-Affiliate Investments	**$ 277,411**	$ 198,926
Affiliate Investments		
Secured first lien debt	**$ 46,953**	$ 43,915
Secured second lien debt	**13,860**	6,593
Preferred equity	**495**	3,091
Common equity/equivalents	**4,721**	3,407
Total Affiliate Investments	**$ 66,029**	$ 57,006
Control Investments		
Secured first lien debt	**$ 9,461**	$ 7,804
Secured second lien debt	**6,404**	11,089
Preferred equity	**—**	—
Common equity/equivalents	**6,586**	6,461
Total Control Investments	**$ 22,451**	$ 25,354
Total Investments, at Fair Value	**$ 365,891**	$ 281,286

In accordance with ASU 2011-04, *"Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Reporting Standards ("IFRS")*, ("ASU 2011-04"), the following table provides quantitative information about our Level 3 fair value measurements of our investments as of September 30, 2015 and 2014. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity related calculations for the particular input.

	Quantitative Information about Level 3 Fair Value Measurements					
	As of September 30,		Valuation Techniques/ Methodologies	Unobservable Input	Range /Weighted Average as of September 30,	
	2015	**2014**			**2015**	**2014**
Secured first lien debt(A)	**$ 130,900**	$ 68,252	Yield Analysis	Discount Rate	6.6% – 30.0% / 13.0%	8.4% – 18.8% / 13.3%
	58,138	55,263	TEV	EBITDA multiple	2.4x – 7.4x / 6.3x	4.0x – 7.6x / 6.2x
				EBITDA	$1,333 – $55,042 / $7,895	$247 – $3,700 / $1,906
				Revenue multiple	0.3x – 0.8x / 0.7x	0.6x – 0.8x / 0.7x
				Revenue	$1,838 – $6,387 / $2,968	$2,416 – $5,327 / $4,151
	17,802	6,235	Market Quotes	IBP	77.0% – 100.0% / 87.7%	85.0% – 85.0% / 85.0%
Secured second lien debt(B)	**34,525**	65,628	Yield Analysis	Discount Rate	10.2% – 16.2% / 13.9%	11.3% – 13.8% / 12.5%
	72,624	45,080	Market Quotes	IBP	78.0% – 99.5% / 94.9%	94.9% – 101.3% / 99.8%
	13,154	13,843	TEV	EBITDA multiple	5.0x – 6.4x / 5.7x	4.3x –7.1x / 6.1x
				EBITDA	$3,740 – $6,878 / $5,353	$3,520 – $6,219 / $3,901
				Revenue multiple	—	—
				Revenue	—	—
Preferred and common equity / equivalents(C)	**36,547**	24,711	TEV	EBITDA multiple	2.4x – 7.7x / 6.3x	4.3x – 7.6x / 6.1x
				EBITDA	$249 – $55,042 / $9,258	$998 – $15,685 / $4,135
				Revenue multiple	—	—
				Revenue	—	—
	2,201	2,274	Investments in Funds			
Total Investments, at Fair Value	**$ 365,891**	$ 281,286				

(A) September 30, 2015 includes three new proprietary investments for $28.8 million, one restructured investment for $2.4 million, which was valued at cost, and two proprietary investments, which were valued at payoff amounts totaling $28.2 million.

(B) September 30, 2015 includes one new proprietary investment for $6.8 million, which was valued at cost, and one syndicated investment, which was valued at payoff totaling $4.0 million. September 30, 2014 includes one new proprietary investment for $8.0 million and two follow-on proprietary investments for a combined $7.6 million, which were valued at cost, and one proprietary investment, which was valued at the payoff amount totaling $2.8 million.

(C) September 30, 2015 includes three new proprietary investments for $1.4 million, which were valued at cost. September 30, 2014 includes one new proprietary investment for $0.8 million, which was valued at cost, and one proprietary investment, which was valued at the payoff amount totaling $1.9 million.

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

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the years ended September 30, 2015 and 2014 for all investments for which the Adviser determines fair value using unobservable (Level 3) factors.

Fair Value Measurements Using Significant Unobservable Data Inputs (Level 3)

Year Ended September 30, 2015:	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair value as of September 30, 2014	**$ 129,750**	**$ 124,551**	**$ 13,684**	**$ 13,301**	**$ 281,286**
Total (losses) gains:					
Net realized (loss) gain(A)	(21,016)	(11,915)	(2,175)	1,440	(33,666)
Net unrealized (depreciation) appreciation(B)	(10,334)	(4,807)	5,722	(1,534)	(10,953)
Reversal of prior period net depreciation (appreciation) on realization(B)	21,463	12,402	2,175	(1,440)	34,600
New investments, repayments, and settlements:(C)					
Issuances/originations	101,733	27,691	3,269	4,095	136,788
Settlements/repayments	(7,179)	(5,536)	(413)	(434)	(13,562)
Sales	(7,577)	(19,447)	—	(1,578)	(28,602)
Transfers	—	(2,636)	—	2,636	
Fair Value as of September 30, 2015	**$ 206,840**	**$ 120,303**	**$ 22,262**	**$ 16,486**	**$ 365,891**

Year Ended September 30, 2014:	**Secured First Lien**	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair value as of September 30, 2013	**$ 122,949**	**$ 122,421**	**$ 5,066**	**$ 6,442**	**$ 256,878**
Total (losses) gains:					
Net realized (loss) gain(A)	(13,445)	225	362	695	(12,163)
Net unrealized (depreciation) appreciation(B)	(2,737)	(13,530)	(241)	5,921	(10,587)
Reversal of prior period net depreciation (appreciation) on realization(B)	19,294	(246)	(370)	(702)	17,976
New investments, repayments, and settlements:(C)					
Issuances/originations	33,893	56,584	9,780	2,076	102,333
Settlements/repayments	(25,504)	(40,903)	(913)	(1,131)	(68,451)
Sales	(4,700)	—	—	—	(4,700)
Fair Value as of September 30, 2014	**$ 129,750**	**$ 124,551**	**$ 13,684**	**$ 13,301**	**$ 281,286**

(A) Included in net realized (loss) gain on investments on our accompanying *Consolidated Statements of Operations* for the years ended September 30, 2015 and 2014.

(B) Included in net unrealized appreciation (depreciation) on investments on our accompanying *Consolidated Statements of Operations* for the years ended September 30, 2015 and 2014.

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

Proprietary Investments

As of September 30, 2015 and 2014, we held 33 and 29 proprietary investments with an aggregate fair value of $310.9 million and $221.8 million, or 85.0% and 78.9% of the total aggregate portfolio, respectively. During the year ended September 30, 2015, we invested in eight new proprietary investments totaling $89.8 million; sold three proprietary investments for net proceeds of $11.8 million in the aggregate, resulting in a combined realized loss of $24.7 million; and had one proprietary investment pay off early generating net proceeds of $2.5 million and a realized gain of $1.6 million, for which we received success fees of $0.6 million. Additionally, during the year ended September 30, 2015, we funded a combined $27.8 million to existing proprietary portfolio companies through revolver draws and follow-on investments, while scheduled and unscheduled principal repayments were $7.7 million in the aggregate from existing proprietary portfolio companies. The following significant proprietary investment transactions occurred during the year ended September 30, 2015:

- *B+T Holdings Inc.*—In December 2014, we invested $8.1 million, along with an unfunded line of credit of $0.3 million, in B+T Holdings Inc. ("B+T"), through a combination of secured first lien debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with one of our affiliated funds, Gladstone Investment Corporation ("Gladstone Investment"). Gladstone Investment invested an additional $19.6 million under the same terms.
- *Midwest Metal Distribution, Inc.*—In December 2014, we sold our investment in Midwest Metal Distribution, Inc. ("Midwest Metal") for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the quarter ended December 31, 2014. Midwest Metal had been on non-accrual status at the time of the sale.
- *LWO Acquisitions Company, LLC,*—In December 2014, we invested $13.5 million, along with an unfunded line of credit of $1.5 million, in LWO Acquisitions Company, LLC, ("LWO Acquisitions") through a combination of secured first lien debt and equity. LWO Acquisitions, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.
- *Vision Government Solutions, Inc.*—In December 2014, we invested $10.0 million, along with an unfunded line of credit of $1.0 million, in Vision Government Solutions, Inc. ("Vision") through secured first lien debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.
- *United Flexible, Inc.*—In February 2015, we invested $21.2 million, along with an unfunded line of credit of $4.0 million, in United Flexible, Inc. (formerly known as Precision Metal Hose, Inc.) ("United Flexible") through a combination of secured first lien debt and equity. United Flexible, headquartered in Romeoville, Illinois, is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gasses in extreme environments.
- *Sunburst Media—Louisiana, LLC*—In June 2015, we exited our investment in Sunburst Media—Louisiana, LLC ("Sunburst") for net proceeds of $4.7 million, which resulted in a realized loss of $1.3 million recorded in the quarter ended June 30, 2015.
- *Mikawaya*—In July 2015, we invested $7.2 million, in Mikawaya, through a combination of secured second lien debt and equity. Mikawaya, headquartered in Vernon, California, is a producer of Japanese pastries and specialty frozen desserts.
- *TWS Acquisition Corporation*—In July 2015, we invested $13.0 million, along with an unfunded line of credit of $1.5 million, in TWS Acquisition Corporation ("TWS") through secured first lien debt. TWS, headquartered in Phoenix, Arizona, is the parent company of Tulsa Welding School and The Refrigeration School, Inc., which are post-secondary skilled trade schools.

- *Triple H Food Processors, Inc.*—In August 2015, we invested $8.3 million, along with an unfunded line of credit of $1.5 million in Triple H Food Processors, Inc. ("Triple H") through a combination of secured senior debt and equity. Triple H, headquartered in Riverside, provides co-packing services to a wide variety of branded and private label liquid and related food products.
- *Saunders & Associates*—In August 2015, we exited our investment in Saunders & Associates ("Saunders") for net proceeds of $1.0 million, which resulted in a realized loss of $8.9 million recorded in the quarter ended September 30, 2015. Saunders was on non-accrual status at the time of the sale.
- *Flight Fit N Fun LLC*—In September 2015, we invested $8.5 million in Flight Fit N Fun LLC ("Flight") through a combination of secured first lien debt and equity. Flight, headquartered in Springfield, Virginia, operates trampoline parks that provide entertainment facilities where jumpers of all ages can participate in active social outings, lively corporate gatherings, intense individual workouts or memorable birthday parties.
- *GFRC Holdings, LLC*—In September 2015, we restructured our investment in GFRC Holdings, LLC ("GFRC") which resulted in a realized loss of $10.8 million recorded in the quarter ended September 30, 2015. GFRC was on non-accrual status at the time of the restructure and was reinstated to accrual status effective September 30, 2015.

Syndicated Investments

We held a total of 15 and 16 syndicate loans with an aggregate fair value of $55.0 million and $59.5 million, or 15.0% and 21.1% of our total investment portfolio, as of September 30, 2015 and 2014, respectively. During the year ended September 30, 2015, we invested in three new syndicated investments for a combined $12.5 million and also invested an additional $4.0 million in an existing syndicated portfolio company. Additionally, during the year ended September 30, 2015, we sold four syndicated investments for combined net proceeds of $13.3 million, resulting in a combined realized gain of $0.2 million.

Investment Concentrations

As of September 30, 2015, our investment portfolio consisted of investments in 48 portfolio companies located in 20 states in 20 different industries, with an aggregate fair value of $365.9 million. The five largest investments at fair value as of September 30, 2015 totaled $109.6 million, or 30.0% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2014 totaling $94.3 million, or 33.5% of our total investment portfolio. As of September 30, 2015, our average investment by obligor was $8.5 million at cost, compared to $7.8 million at cost as of September 30, 2014.

The following table outlines our investments by security type at September 30, 2015 and 2014:

	September 30, 2015				September 30, 2014			
	Cost		**Fair Value**		**Cost**		**Fair Value**	
Secured first lien debt	**$248,050**	**60.5%**	**$206,840**	**56.5%**	$182,086	52.1%	$129,750	46.1%
Secured second lien debt	**125,875**	**30.7**	**120,303**	**32.9**	137,719	39.5	124,551	44.3
Total debt investments	**373,925**	**91.2**	**327,143**	**89.4**	319,805	91.6	254,301	90.4
Preferred equity	**22,616**	**5.5**	**22,262**	**6.1**	21,936	6.2	13,684	4.9
Common equity/equivalents	**13,703**	**3.3**	**16,486**	**4.5**	7,544	2.2	13,301	4.7
Total equity investments	**36,319**	**8.8**	**38,748**	**10.6**	29,480	8.4	26,985	9.6
Total Investments	**$410,244**	**100.0%**	**$365,891**	**100.0%**	$349,285	100.0%	$281,286	100.0%

Our investments at fair value consisted of the following industry classifications at September 30, 2015 and 2014:

Industry Classification	September 30, 2015 Fair Value	September 30, 2015 Percentage of Total Investments	September 30, 2014 Fair Value	September 30, 2014 Percentage of Total Investments
Diversified/conglomerate manufacturing	**$ 56,504**	**15.4%**	$ 27,634	9.8%
Oil and gas	**51,110**	**14.0**	42,831	15.2
Healthcare, education and childcare	**44,994**	**12.3**	47,538	16.9
Personal and non-durable consumer products	**43,418**	**11.9**	30,157	10.7
Printing and publishing	**25,452**	**7.0**	23,999	8.5
Beverage, food and tobacco	**22,817**	**6.2**	6,235	2.2
Automobile	**17,699**	**4.8**	19,489	6.9
Diversified natural resources, precious metals and minerals	**16,072**	**4.4**	7,176	2.6
Diversified/Conglomerate Service	**13,763**	**3.8**	—	—
Electronics	**13,550**	**3.7**	24,811	8.8
Cargo Transportation	**13,434**	**3.7**	12,838	4.6
Leisure, Amusement, Motion Pictures, Entertainment	**8,500**	**2.3**	—	—
Finance	**8,356**	**2.3**	4,205	1.5
Textiles and leather	**6,911**	**1.9**	8,171	2.9
Broadcast and entertainment	**5,235**	**1.4**	6,386	2.3
Buildings and real estate	**2,385**	**0.7**	6,617	2.4
Aerospace and defense	**1,647**	**0.4**	6,920	2.5
Other, < 2.0%	**14,044**	**3.8**	6,279	2.2
Total Investments	**$365,891**	**100.0%**	$281,286	100.0%

Our investments at fair value were included in the following U.S. geographic regions at September 30, 2015 and 2014:

Geographic Region	September 30, 2015 Fair Value	September 30, 2015 Percentage of Total Investments	September 30, 2014 Fair Value	September 30, 2014 Percentage of Total Investments
Midwest	**$124,924**	**34.1%**	$107,387	38.2%
South	**117,367**	**32.1**	92,355	32.8
West	**112,575**	**30.8**	80,744	28.7
Northeast	**11,025**	**3.0**	800	0.3
Total Investments	**$365,891**	**100.0%**	$281,286	100.0%

The geographic region indicates the location of the headquarters for our portfolio companies. A portfolio company may have a number of other business locations in other geographic regions.

Investment Principal Repayment

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

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

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs incurred on behalf of such portfolio companies and are included in other assets on our accompanying *Consolidated Statements of Assets and Liabilities*. As of September 30, 2015 and 2014, we had gross receivables from portfolio companies of $0.6 million and $0.4 million, respectively. The allowance for uncollectible receivables was $0 and $0.1 million at both September 30, 2015 and 2014. In addition, as of September 2015 and 2014, we had an allowance for uncollectible interest receivables of $1.2 million and $0.4 million, respectively, which is reflected in interest receivable, net on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined based upon management's judgment that the portfolio company is unable to pay its obligations.

NOTE 4. RELATED PARTY TRANSACTIONS

Investment Advisory and Management Agreement

In accordance with the Advisory Agreement, we pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee. The Adviser is controlled by our chairman and chief executive officer. On July 14, 2015, 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 through August 31, 2016. Pursuant to the terms of our revolving line of credit, we also pay the Adviser a loan servicing fee for its role as servicer thereunder. We expect that this fee will remain in place so long as the Adviser continues its role as servicer under our revolving line of credit. The following table summarizes the base management fees, incentive fees, and loan servicing fees and associated voluntary, unconditional and irrevocable credits reflected in our accompanying *Consolidated Statements of Operations*:

	Year Ended September 30,		
	2015	**2014**	**2013**
Average total assets subject to base management fee(A)	**$ 355,510**	$293,200	$281,100
Multiplied by annual base management fee of 1.75% – 2.0%	**2.0 – 1.75%**	2.0%	2.0%
Base management fee(B)	**6,888**	5,864	5,622
Portfolio company fee credit(C)	**(1,399)**	(797)	(324)
Senior syndicated loan fee credit(D)	**(118)**	(117)	(183)
Net Base Management Fee	**$ 5,371**	$ 4,950	$ 5,115
Loan servicing fee(B)	**3,816**	3,503	3,656
Credit to base management fee—loan servicing fee(B)(F)	**(3,816)**	(3,503)	(3,656)
Net Loan Servicing Fee	**$ —**	$ —	$ —
Incentive fee(B)	**$ 4,083**	$ 4,297	$ 4,343
Incentive fee credit(E)	**(1,367)**	(1,180)	(1,014)
Net Incentive Fee	**$ 2,716**	$ 3,117	$ 3,329
Portfolio company fee credit(C)	**$ (1,399)**	$ (797)	$ (324)
Senior syndicated loan fee credit(D)	**(118)**	(117)	(183)
Incentive fee credit(E)	**(1,367)**	(1,180)	(1,014)
Credit to Fees from Adviser—Other(B)	**$ (2,884)**	$ (2,094)	$ (1,521)

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

(B) Reflected, on a gross basis, as a line item, on our accompanying *Consolidated Statements of Operations*.

(C) Pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefore. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. At the end of each quarter, 100% of these fees are voluntarily and irrevocably credited against the base management fee that we would otherwise be required to pay to the Adviser, with the exception of a small percentage of certain fees, primarily for the valuation of portfolio companies, which are retained by the Adviser, pursuant to the terms of the Advisory Agreement, in the form of reimbursement at cost for tasks completed by personnel of the Adviser.

(D) Our Board of Directors accepted an unconditional and irrevocable voluntary credit from the Adviser to reduce the annual base management fee on senior syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations, for the years ended September 30, 2015, 2014 and 2013.

(E) Our Board of Directors accepted an unconditional and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the years ended September 30, 2015, 2014 and 2013.

(F) The entire loan servicing fee paid monthly to the Adviser by Business Loan is voluntarily and irrevocably credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee, inclusive of the loan servicing fee, cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) (or 2.0% prior to the advisory agreement amendment effective July 1, 2015) during any given calendar year pursuant to the Advisory Agreement.

Base Management Fee

On October 13, 2015, we amended our existing advisory agreement with the Adviser to reduce the base management fee under the agreement from 2.0% per annum (0.5% per quarter) of average total assets (excluding cash or equivalents) to 1.75% per annum (0.4375% per quarter) effective July 1, 2015. All other terms of the advisory agreement remained unchanged. The amendment was approved unanimously by our Board of Directors.

Pursuant to the amended agreement, the base management fee is computed and generally payable quarterly to the Adviser and is assessed at an annual rate of 1.75%, computed on the basis of the value of our average total assets at the end of the two most recently-completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. The base management fee is then adjusted by certain credits from the Adviser as explained in the notes to the table above.

Incentive Fee

The incentive fee consists of two parts: an income-based incentive fee and a capital gains incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (the “hurdle rate”). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);
- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

Our Board of Directors accepted an unconditional and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the years ended September 30, 2015, 2014 and 2013.

The second part of the incentive fee is a capital gains-based incentive fee that will be determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio's aggregate unrealized capital depreciation, if any, and excluding any unrealized capital appreciation, as of the date of the calculation. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio's aggregate unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio's aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded since our inception through September 30, 2015, as cumulative unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains-based incentive fee. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded since our inception through September 30, 2015.

Loan Servicing Fee Pursuant to Credit Agreement

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

Administration Agreement

The Administration Agreement provides for payments equal to our allocable portion of the Administrator's expenses incurred while performing services to us, which are primarily rent and the salaries and benefits expenses of the Administrator's employees, including, but not limited to, our chief financial officer and treasurer, chief compliance officer, and general counsel and secretary (who also serves as the Administrator's president). Prior to July 1, 2014, our allocable portion of the expenses were derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser.

Effective July 1, 2014, our allocable portion of the Administrator's expenses are derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the

Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator under contractual agreements. These administrative fees are accrued at the end of the quarter when the services are performed and recorded on our accompanying *Consolidated Statements of Operations* and generally paid the following quarter to the Administrator. On July 14, 2015, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2016.

Related Party Fees Due

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

	As of September 30,	
	2015	2014
Base management fee due to Adviser	**$ 60**	$ 411
Loan servicing fee due to Adviser	**241**	193
Incentive fee due to Adviser	**603**	271
Total fees due to Adviser	**904**	875
Fee due to Administrator	**250**	218
Total Related Party Fees Due	**$1,154**	$1,093

Other operating expenses due to the Adviser as of September 30, 2015 and 2014, totaled $7 and $20, respectively. In addition, other co-investment expenses due to Gladstone Investment totaled $0.1 million and $41 for the years ended September 30, 2015 and 2014, respectively. These expenses were paid in full subsequent to each fiscal year end and have been included in other liabilities on our accompanying *Consolidated Statements of Assets and Liabilities* as of September 30, 2015 and 2014.

Note Receivable from Former Employee

Our employee note receivable was paid in full in May 2015 and all shares of common stock that were held as collateral were released at that time. During each of the years ended September 30, 2015, and September 30, 2014, we received $0.1 million in principal repayments from the former employee, paying off the note in full. We recognized interest income from the employee note of $4, $14 and $0.1 million for the years ended September 30, 2015, 2014 and 2013 respectively.

NOTE 5. BORROWINGS

Revolving Credit Facility

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

On June 19, 2015, we through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity under our Credit Facility by $30.0 million to $170.0 million. We incurred fees of approximately $0.6 million in connection with this expansion, which are being amortized through our Credit Facility's revolving period end date of January 19, 2019.

The following tables summarize noteworthy information related to our Credit Facility (at cost) as of September 30, 2015 and 2014 and during the years ended September 30, 2015, 2014 and 2013.

	As of September 30,	
	2015	**2014**
Commitment amount	**$ 170,000**	$ 137,000
Borrowings outstanding, at cost	**127,300**	36,700
Availability	**22,360**	57,500

	Year Ended September 30,		
	2015	**2014**	**2013**
Weighted average borrowings outstanding, at cost	**$92,488**	**$41,866**	**$53,207**
Weighted average interest rate(A)	**4.1%**	**6.3%**	**6.0%**
Commitment (unused) fees incurred	**$ 383**	**$ 959**	**$ 853**

(A) Excludes the impact of deferred financing fees and includes the weighted average unused commitment fees.

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

Our Credit Facility requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with Key Equipment as custodian. Key Equipment, who also serves as the trustee of the account, generally remits the collected funds to us monthly.

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

Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable term preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $205.0 million as of September 30, 2015, (ii) asset coverage with respect to "senior securities representing indebtedness" of at least 200.0%, in accordance with Section 18 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of September 30, 2015, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $252.4 million, asset coverage on our "senior securities representing indebtedness" of 294.6%, calculated in compliance with the requirements of Section 18 of the 1940 Act, and an active status as a BDC and RIC. In addition, we had 36 obligors in our Credit Facility's borrowing base as of September 30, 2015. As of September 30, 2015, we were in compliance with all of our Credit Facility covenants.

Pursuant to the terms of our Credit Facility, on July 15, 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our Credit Facility. The one month LIBOR cap is set at 5.0%. We incurred a premium fee of $62 in conjunction with this agreement, which is recorded in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities.* As of September 30, 2015 and 2014, the fair value of our interest rate cap agreement was $0.

Fair Value

We elected to apply the fair value option of ASC 825, "*Financial Instruments*," specifically for our Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and also takes into account the Valuation Team's own assumptions, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of September 30, 2015 and 2014, the discount rate used to determine the fair value of our Credit Facility was 3.6% and 4.0%, respectively. Generally, an increase or decrease in the discount rate used in the DCF calculation, may result in a corresponding increase or decrease, respectively, in the fair value of our Credit Facility. As of September 30, 2015 and 2014, our Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables present our Credit Facility carried at fair value as of September 30, 2015 and 2014, on our accompanying *Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the years ended September 30, 2015 and 2014:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3) As of September 30,	
	2015	**2014**
Credit Facility	**$ 127,300**	$ 38,013

Fair Value Measurements Using Significant Unobservable Data Inputs (Level 3)

	Year Ended September 30,	
	2015	**2014**
Fair value as of September 30, 2014 and 2013, respectively	**$ 38,013**	$ 47,102
Borrowings	**147,500**	108,800
Repayments	**(56,900)**	(119,000)
Net unrealized (depreciation) appreciation(A)	**(1,313)**	1,111
Fair Value as of September 30, 2015 and 2014, respectively	**$127,300**	$ 38,013

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying *Consolidated Statements of Assets and Liabilities* for the years ended September 30, 2015 and 2014.

The fair value of the collateral under our Credit Facility was approximately $312.0 million and $222.0 million in aggregate as of September 30, 2015 and 2014, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In May 2014, we completed a public offering of approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share (“Series 2021 Term Preferred Stock”), at a public offering price of $25.00 per share. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were approximately $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share (“Series 2016 Term Preferred Stock”) and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. In connection with the voluntary redemption of our Series 2016 Term Preferred Stock, we recognized a realized loss on extinguishment of debt of $1.3 million, which has been reflected on our accompanying *Consolidated Statement of Operations* and is primarily comprised of the unamortized deferred issuance costs at the time of redemption.

We incurred approximately $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the redemption period ending June 30, 2021. The shares of our Series 2021 Term Preferred Stock have a mandatory redemption date of June 30, 2021, and are traded under the ticker symbol “GLADO” on the NASDAQ Global Select Market. Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the “Redemption Price”). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control, and (2) if we fail to maintain an asset coverage ratio of at least 200.0% on our “senior securities that are stock” and the failure remains for a period of 30 days following the filing date of our next SEC quarterly or annual report. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price at any time on or after June 30, 2017.

The asset coverage on our “senior securities that are stock” as of September 30, 2015 was 199.3%. However, we were not required to redeem any shares of our Series 2021 Term Preferred Stock because, pursuant to the 1940 Act, on the date that we were required to measure the asset coverage on our “senior securities that are stock,” (October 13, 2015), which was when our Board of Directors declared a distribution on our common stock and mandatorily redeemable preferred stock dividends, the asset coverage on our “senior securities that are stock” was 202.6%. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of September 30, 2015, we have not redeemed, nor have we been required to redeem, any shares of our outstanding Series 2021 Term Preferred Stock.

In November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock, at a public offering price of $25.00 per share. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. We incurred $2.1 million in total offering costs related to these transactions, which were recorded as deferred financing fees on our accompanying *Consolidated Statements of Assets and Liabilities* and were amortized over the redemption period ending December 31, 2016. In May 2014, when we voluntarily redeemed our Series 2016 Term Preferred Stock, the remaining unamortized costs were fully written off as part of the realized loss on extinguishment of debt discussed above. Our Series 2016 Term Preferred Stock provided for a fixed dividend equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year). The shares of our Series 2016 Term Preferred were traded under the ticker symbol of “GLADP” on the NASDAQ Global Select Market. In connection with the voluntary redemption, shares of our Series 2016 Term Preferred Stock were removed from listing on May 22, 2014.

We paid the following monthly dividends on our Series 2021 Term Preferred Stock for the year ended September 30, 2015:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2021 Term Preferred Share
2015	October 7, 2014	October 22, 2014	October 31, 2014	$ 0.1406250
	October 7, 2014	November 17, 2014	November 26, 2014	0.1406250
	October 7, 2014	December 19, 2014	December 31, 2014	0.1406250
	January 13, 2015	January 23, 2015	February 3, 2015	0.1406250
	January 13, 2015	February 18, 2015	February 27, 2015	0.1406250
	January 13, 2015	March 20, 2015	March 31, 2015	0.1406250
	April 14, 2015	April 24, 2015	May 5, 2015	0.1406250
	April 14, 2015	May 19, 2015	May 29, 2015	0.1406250
	April 14, 2015	June 19, 2015	June 30, 2015	0.1406250
	July 13, 2015	July 24, 2015	August 4, 2015	0.1406250
	July 13, 2015	August 20, 2015	August 31, 2015	0.1406250
	July 13, 2015	September 21, 2015	September 30, 2015	0.1406250
Fiscal Year Ended September 30, 2015:				**$ 1.6875000**

We paid the following monthly dividends on our Series 2021 Term Preferred Stock for the year ended September 30, 2014 (no distributions were paid on our Series 2021 Term Preferred Stock prior to June 30, 2014):

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2021 Term Preferred Share
2014	May 29, 2014	June 19, 2014	June 30, 2014(A)	**$ 0.19687500**
	July 15, 2014	July 25, 2014	August 5, 2014	**0.14062500**
	July 15, 2014	August 20, 2014	August 29, 2014	**0.14062500**
	July 15, 2014	September 19, 2014	September 30, 2014	**0.14062500**
Fiscal Year Ended September 30, 2014:				**$ 0.61875000**

(A) The dividend declared on May 29, 2014 on our Series 2021 Term Preferred Stock covered the partial period from May 20, 2014 through May 31, 2014 and also covered the June 2014 dividend.

We paid the following monthly dividends on our Series 2016 Term Preferred Stock for the year ended September 30, 2014:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Term Preferred Share
2014	October 8, 2013	October 22, 2013	October 31, 2013	$ 0.14843750
	October 8, 2013	November 14, 2013	November 29, 2013	0.14843750
	October 8, 2013	December 16, 2013	December 31, 2013	0.14843750
	January 7, 2014	January 22, 2014	January 31, 2014	0.14843750
	January 7, 2014	February 19, 2014	February 28, 2014	0.14843750
	January 7, 2014	March 17, 2014	June 30, 2014	0.14843750
	April 8, 2014	April 21, 2014	April 30, 2014	0.14843750
	April 8, 2014	May 20, 2014	May 23, 2014(B)	0.14843750
Fiscal Year Ended September 30, 2014:				$ 1.18750000

(B) We redeemed all of the outstanding shares of our Series 2016 Term Preferred Stock on May 23, 2014 and at that time, we paid the May dividends in full for record holders as of May 20, 2014.

In accordance with ASC 480, "*Distinguishing Liabilities from Equity*," mandatorily redeemable financial instruments should be classified as liabilities in the balance sheet and we have recorded our mandatorily redeemable preferred stock as a liability, at cost, as of September 30, 2015 and 2014. The related distribution payments to our mandatorily redeemable preferred stockholders are treated as dividend expense on our statement of operations as of the ex-dividend date. For disclosure purposes, the fair value, based on the last quoted closing price, for our Series 2021 Term Preferred Stock as of September 30, 2015 and September 30, 2014, was approximately $62.4 million and $63.0 million, respectively. We consider our mandatorily redeemable preferred stock to be a Level 1 liability within the ASC 820 hierarchy.

Aggregate preferred stockholder dividends declared and paid on our Series 2021 Term Preferred Stock for the years ended September 30, 2015 and September 30, 2014, were approximately $4.1 million and $1.5 million, respectively. Aggregate preferred stockholder dividends declared and paid on our Series 2016 Term Preferred Stock for the year ended September 30, 2014, was approximately $1.8 million. For federal income tax purposes, dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

We filed Post-Effective Amendment No. 4 to our universal shelf registration statement (our "Registration Statement") on Form N-2 (File No. 333-185191) with the SEC on December 1, 2014, and subsequently filed Post-Effective Amendment No. 5 on January 29, 2015, which the SEC declared effective January 30, 2015. Our Registration Statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock.

On February 27, 2015, we entered into equity distribution agreements (commonly referred to as "at-the-market agreements" or the "Sales Agreements") with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a "Sales Agent," under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock.

As of September 30, 2015, we had the ability to issue up to $237.8 million in securities under our Registration Statement. We sold an aggregate of 131,462 shares, or $1.2 million in gross proceeds, of common stock under the Sales Agreements during the year ended September 30, 2015. No other securities had been sold under our Registration Statement as of September 30, 2015. See Note 15 —*Subsequent Events* for further discussion of our common stock offering subsequent to fiscal year end.

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

The following table sets forth the computation of basic and diluted net increase in net assets resulting from operations per weighted average common share for the years ended September 30, 2015, 2014 and 2013:

	Year Ended September 30,		
	2015	**2014**	**2013**
Numerator for basic and diluted net increase in net assets resulting from operations per weighted average common share	**$ 8,484**	$ 11,233	$ 32,219
Denominator for basic and diluted weighted average common shares	**21,066,844**	21,000,160	21,000,160
Basic and Diluted Net Increase in Net Assets Resulting from Operations per Weighted Average Common Share	**$ 0.40**	$ 0.53	$ 1.53

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC, we are required to distribute to our stockholders 90.0% of our investment company taxable income. The amount to be paid out as distributions to our stockholders is determined by our Board of Directors quarterly and is based on management’s estimate of the fiscal year earnings. Based on that estimate, our Board of Directors declares three monthly distributions each quarter.

The federal income tax characteristics of all distributions will be reported to stockholders on the Internal Revenue Service Form 1099 at the end of each calendar year. For the nine months ended September 30, 2015, approximately 100.0% of our common distributions were deemed to be paid from ordinary income. For the nine months ended September 30, 2014, approximately 100.0% of our common distributions were deemed to be paid from a return of capital and for the quarter ended December 31, 2014, approximately 100.0% of our common distributions were deemed to be paid from ordinary income for Form 1099 reporting purposes. For the nine months ended September 30, 2013, approximately 92.0% of our common distributions were deemed to be paid from ordinary income, with the remainder of approximately 8.0% deemed to be from a return of capital for Form 1099 reporting purposes. For the quarter ended December 31, 2013, approximately 100.0% of our common distributions were deemed to be paid from ordinary income, with none deemed to be from a return of capital for Form 1099 reporting purposes. The return of capital in both the 2014 and 2013 calendar years resulted primarily from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

[Table of Contents](#)

We paid the following monthly distributions to common stockholders for the fiscal years ended September 30, 2015 and 2014:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2015	October 7, 2014	October 22, 2014	October 31, 2014	**$ 0.07**
	October 7, 2014	November 17, 2014	November 26, 2014	**0.07**
	October 7, 2014	December 19, 2014	December 31, 2014	**0.07**
	January 13, 2015	January 23, 2015	February 3, 2015	**0.07**
	January 13, 2015	February 18, 2015	February 27, 2015	**0.07**
	January 13, 2015	March 20, 2015	March 31, 2015	**0.07**
	April 14, 2015	April 24, 2015	May 5, 2015	**0.07**
	April 14, 2015	May 19, 2015	May 29, 2015	**0.07**
	April 14, 2015	June 19, 2015	June 30, 2015	**0.07**
	July 13, 2015	July 24, 2015	August 4, 2015	**0.07**
	July 13, 2015	August 20, 2015	August 31, 2015	**0.07**
	July 13, 2015	September 21, 2015	September 30, 2015	**0.07**
Fiscal Year 2015 Total:				**$ 0.84**
2014	October8, 2013	October 22, 2013	October 31, 2013	$ 0.07
	October 8, 2013	November 14, 2013	November 29, 2013	0.07
	October 8, 2013	December 16, 2013	December 31, 2013	0.07
	January 7, 2014	January 22, 2014	January 31, 2014	0.07
	January 7, 2014	February 19, 2014	February 28, 2014	0.07
	January 7, 2014	March 17, 2014	March 31, 2014	0.07
	April 8, 2014	April 21, 2014	April 30, 2014	0.07
	April 8, 2014	May 20, 2014	May 30, 2014	0.07
	April 8, 2014	June 19, 2014	June 30, 2014	0.07
	July 15, 2014	July 25, 2014	August 5, 2014	0.07
	July 15, 2014	August 20, 2014	August 29, 2014	0.07
	July 15, 2014	September 19, 2014	September 30, 2014	0.07
Fiscal Year 2014 Total:				$ 0.84

Aggregate distributions declared and paid to our common stockholders were approximately $17.7 million and $17.6 million for each of the years ended September 30, 2015 and 2014, and were declared based on estimates of investment company taxable income for the respective fiscal years. For the year ended September 30, 2015, our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends) exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $1.7 million of the first common distributions paid in fiscal year 2016 as having been paid in the respective prior year. For each of the years ended September 30, 2014 and 2013, common stockholder distributions to be declared and paid exceeded our current and accumulated earnings and profits (after taking into account mandatorily redeemable preferred stock dividends), which resulted in an estimated partial return of capital of approximately $15.2 million and $1.3 million, respectively. The returns of capital primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes in each of those fiscal years.

The components of our net assets on a tax basis were as follows:

	Year Ended September 30, 2015	2014
Common stock	**$ 21**	$ 21
Capital in excess of par value	**307,862**	307,348
Note receivable from employee	**—**	(100)
Cumulative net unrealized depreciation of investments	**(44,736)**	(68,659)
Cumulative net unrealized appreciation of other	**(61)**	(1,374)
Capital loss carryforward	**(34,650)**	(36,228)
Post-October tax loss deferral	**(35,754)**	—
Other temporary differences	**(1,238)**	(1,348)
Net Assets	**$ 191,444**	$ 199,660

We intend to retain some or all of our realized capital gains first to the extent we have available capital loss carryforwards and second, through treating the retained amount as a "deemed distribution." As of September 30, 2015, we had $26.4 million and $0.9 million of capital loss carryforwards that expire in 2017 and 2018, respectively. Additionally, as of September 30, 2015, we had $43.6 million of capital loss carryforwards that do not expire.

For the years ended September 30, 2015 and 2014, we recorded the following adjustments for book-tax differences to reflect tax character. Results of operations, net assets nor cash flows were affected by these adjustments.

	Year Ended September 30, 2015	2014
Overdistributed net investment income	**$ 387**	$ (2,556)
Accumulated net realized losses	**—**	18,144
Capital in excess of par value	**(387)**	(15,588)

NOTE 10. FEDERAL AND STATE INCOME TAXES

We intend to continue to maintain our qualifications as a RIC for federal income tax purposes. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains that we distribute to stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements. In addition, to qualify to be taxed as a RIC, we must also meet certain annual stockholder distribution requirements. To satisfy the RIC annual distribution requirement, we must distribute to stockholders at least 90.0% of our investment company taxable income. Our policy generally is to make distributions to our stockholders in an amount up to 100.0% of our investment company taxable income. Because we have distributed more than 90.0% of our investment company taxable income, no income tax provisions have been recorded for the years ended September 30, 2015, 2014 and 2013.

In an effort to limit certain federal excise taxes imposed on RICs, we generally distribute during each calendar year, an amount at least equal to the sum of (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. No excise tax provisions have been recorded for the years ended September 30, 2015, 2014 and 2013.

Under the RIC Modernization Act (the "RIC Act"), we are permitted to carry forward capital losses incurred in taxable years beginning after September 30, 2011, for an unlimited period. However, any losses incurred during post-enactment taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under the Treasury regulations applicable to pre-enactment capital losses.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of as of September 30, 2015 and 2014, we have not established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we will enter into arrangements as it relates to exits of certain investments whereby specific amounts of the proceeds are held in escrow in order to be used to satisfy potential obligations as stipulated in the sales agreements. We record escrow amounts in restricted cash and cash equivalents on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish a contingent liability against the escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not be ultimately received at the end of the escrow period. We had no aggregate contingent liabilities against the escrow amounts as of September 30, 2015 and 2014.

Financial Commitments and Obligations

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements.

In addition to the lines of credit with portfolio companies, we, from time to time, have also extended certain guarantees on behalf of some of our portfolio companies during the normal course of business. In January 2012, we executed a guarantee for one of our Control investments, Viapack, to irrevocably and unconditionally guarantee payment and performance of Viapack's obligations regarding purchase agreements and expenses to one of its vendors. This guarantee, for a maximum amount of $0.3 million, was terminated effective January 4, 2013, as part of the sale of our investment in Viapack. We were never required to make any payments on this guarantee. As of September 30, 2015 and 2014, we were not party to any guarantees.

When investing in certain private equity funds, we may have uncalled capital commitments depending on the agreed upon terms of our committed ownership interest. These capital commitments usually have a specific date in the future set as a closing date, at which time the commitment is either funded or terminates. As of September 30, 2015 and 2014, we had uncalled capital commitments related to our partnership interest in Leeds Novamark Capital I, L.P.

The following table summarizes the dollar balances of our unused line of credit and uncalled capital commitments, at cost, as of September 30, 2015 and 2014, which are not reflected as liabilities in our accompanying *Consolidated Statements of Assets and Liabilities*.

	As of September 30,	
	2015	**2014**
Unused line of credit commitments	**$14,655**	$5,905
Uncalled capital commitment	**2,214**	2,827
Total	**$16,869**	$8,732

NOTE 12. FINANCIAL HIGHLIGHTS

	As of and for the Year Ended September 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Per Common Share Data:					
Net asset value at beginning of year(A)	**$ 9.51**	$ 9.81	$ 8.98	$10.16	$11.85
Income from operations(B)					
Net investment income	**0.84**	0.87	0.88	0.91	0.88
Net realized loss on investments and escrows	**(1.62)**	(0.58)	(0.25)	(0.61)	(0.06)
Net unrealized appreciation (depreciation) of investments	**1.12**	0.35	0.74	(0.53)	(1.84)
Realized loss on extinguishment of debt	**—**	(0.06)	—	—	—
Net unrealized depreciation (appreciation) of other	**0.06**	(0.05)	0.16	(0.15)	0.02
Total from operations	**0.40**	0.53	1.53	(0.38)	(1.00)
Distributions to common stockholders from(B)(C)					
Ordinary income	**(0.84)**	(0.12)	(0.78)	(0.77)	(0.84)
Return of capital	**—**	(0.72)	(0.06)	(0.07)	—
Total distributions	**(0.84)**	(0.84)	(0.84)	(0.84)	(0.84)
Capital share transactions(B)					
Issuance of common stock	**0.06**	—	—	—	—
Offering costs for issuance of common stock	**(0.01)**	—	—	—	—
Repayment of principal on employee notes	**—**	—	0.14	0.02	0.15
Dilutive effect of common stock issuance	**(0.06)**	—	—	—	—
Total capital share transactions	**(0.01)**	—	0.14	0.02	0.15
Other, net(B)(D)	**—**	0.01	—	0.02	—
Net asset value at end of year(A)	**$ 9.06**	$ 9.51	$ 9.81	$ 8.98	$10.16

	As of and for the Year Ended September 30,				
	2015	2014	2013	2012	2011
Per common share market value at beginning of year	**$ 8.77**	$ 8.73	$ 8.75	$ 6.86	$ 11.27
Per common share market value at end of year	**8.13**	8.77	8.73	8.75	6.86
Total return(E)	**2.40%**	9.62%	9.90%	41.39%	(33.77)%
Common stock outstanding at end of year(A)	**21,131,622**	21,000,160	21,000,160	21,000,160	21,039,242
Statement of Assets and Liabilities Data:					
Net assets at end of year	**$ 191,444**	$ 199,660	$ 205,992	$ 188,564	$ 213,721
Average net assets(F)	**198,864**	201,009	189,599	201,012	235,901
Senior securities Data:					
Borrowings under Credit Facility, at cost	**$ 127,300**	$ 36,700	$ 46,900	$ 58,800	$ 99,400
Mandatorily redeemable preferred stock	**61,000**	61,000	38,497	38,497	—
Ratios/Supplemental Data:					
Ratio of operating expenses to average net assets	**9.06%**	8.26%	8.34%	8.87%	7.08%
Ratio of net operating expenses to average net assets(G)	**5.69**	5.47	5.61	6.55	5.38
Ratio of net expenses to average net assets(G)(H)	**10.24**	9.06	9.37	10.59	7.12
Ratio of net investment income to average net assets(I)	**8.90**	9.14	9.70	9.47	7.81

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

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

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

(D) Represents the impact of the different share amounts (weighted average shares outstanding during the fiscal year and shares outstanding at the end of the fiscal year) in the per share data calculations and rounding impacts.

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

(F) Computed using the average of the balance of net assets at the end of each month of the fiscal year.

(G) Ratio of net expenses to average net assets is computed using total expenses, net of credits from the Adviser, to the base management, loan servicing and incentive fees.

(H) Had we not received any voluntary, unconditional and irrevocable credits of the incentive fee due to the Adviser, the ratio of net expenses to average net assets would have been 10.93%, 9.65%, 9.91%, 10.72% and 7.13% for the fiscal years ended September 30, 2015, 2014, 2013, 2012 and 2011, respectively.

(I) Had we not received any voluntary, unconditional and irrevocable credits of the incentive fee due to the Adviser, the ratio of net investment income to average net assets would have been 8.22%, 8.55%, 9.17%, 9.13% and 7.64%, for the fiscal years ended September 30, 2015, 2014, 2013, 2012 and 2011, respectively.

NOTE 13. SELECTED QUARTERLY DATA (UNAUDITED)

	Year Ended September 30, 2015			
	Quarter Ended December 31, 2014	**Quarter Ended March 31, 2015**	**Quarter Ended June 30, 2015**	**Quarter Ended September 30, 2015**
Total investment income	**$ 8,726**	**$ 9,223**	**$ 9,935**	**$ 10,174**
Net investment income	**3,691**	**3,693**	**4,836**	**5,480**
Net increase (decrease) in net assets resulting from operations	**331**	**9,542**	**3,307**	**(4,696)**
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	**$ 0.02**	**$ 0.45**	**$ 0.16**	**$ (0.22)**

	Year Ended September 30, 2014			
	Quarter Ended December 31, 2013	**Quarter Ended March 31, 2014**	**Quarter Ended June 30, 2014**	**Quarter Ended September 30, 2014**
Total investment income	$ 8,392	$ 9,331	$ 10,180	$ 8,682
Net investment income	4,410	4,485	5,063	4,410
Net increase (decrease) in net assets resulting from operations	10,506	(2,102)	(20,175)	23,004
Net Increase (Decrease) in Net Assets Resulting From Operations per Weighted Average Common Share (Basic and Diluted)	$ 0.50	$ (0.10)	$ (0.96)	$ 1.09

Table of Contents

NOTE 14. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC's Regulation S-X and GAAP, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest. We had certain unconsolidated subsidiaries as of September 30, 2015 and 2014 and for the years ended September 30, 2015, 2014 and 2013, that met at least one of the significant conditions of the SEC's Regulation S-X. Accordingly, pursuant to Rule 4-08 of Regulation S-X, summarized, comparative financial information is presented below for our unconsolidated significant subsidiaries as of September 30, 2015 and 2014 and for the years ended September 30, 2015, 2014 and 2013.

Portfolio Company	Balance Sheet	As of September 30, 2015	2014	Income Statement	For the Year Ended September 30, 2015	2014	2013
Defiance Integrated Technologies, Inc.	Current assets	**$ 7,006**	$ 8,244	Net sales	**$ 28,345**	$ 28,565	$ 24,012
	Noncurrent assets	**12,782**	11,237	Gross profit	**5,049**	6,589	4,282
	Current liabilities	**2,282**	4,056	Net (loss) income	**(447)**	2,040	597
	Noncurrent liabilities	**10,854**	8,370				
GFRC Holdings LLC	Current assets	**2,177**	3,868	Net sales	**6,387**	10,452	10,288
	Noncurrent assets	**641**	11,022	Gross profit (loss)	**(370)**	1,488	2,243
	Current liabilities	**4,241**	3,530	Net loss	**(12,839)**	(1,413)	(618)
	Noncurrent liabilities	**13,741**	13,727				
Lindmark Acquisition, LLC(A)	Current assets	**488**	983	Net sales	**38**	62	7,236
	Noncurrent assets	**88**	270	Gross profit (loss)	**15**	(60)	4,346
	Current liabilities	**—**	16	Net (loss) income	**(643)**	(1,910)	8,408
	Noncurrent liabilities	**7,137**	7,141				
Midwest Metal Distribution, Inc.(B)	Current assets	**—**	31,371	Net sales	**17,148**	102,485	98,691
	Noncurrent assets	**—**	6,668	Gross profit	**1,888**	12,495	11,362
	Current liabilities	**—**	47,663	Net loss	**(1,181)**	(1,250)	(1,892)
	Noncurrent liabilities	**—**	48				
RBC Acquisition Corp.	Current assets	**6,202**	7,928	Net sales	**11,710**	13,060	13,786
	Noncurrent assets	**19,733**	21,304	Gross profit	**368**	1,897	1,498
	Current liabilities	**5,577**	30,308	Net loss	**(4,768)**	(5,351)	(3,586)
	Noncurrent liabilities	**29,876**	2,998				
Sunshine Media Group, Inc.	Current assets	**3,413**	3,481	Net sales	**16,083**	15,707	14,977
	Noncurrent assets	**1,308**	1,453	Gross profit	**7,286**	7,523	6,304
	Current liabilities	**8,311**	7,198	Net loss	**(1,406)**	(439)	(1,832)
	Noncurrent liabilities	**29,137**	29,394				
Viapack, Inc.(C)	Current assets	**—**	—	Net sales	**—**	—	3,848
	Noncurrent assets	**—**	—	Gross profit	**—**	—	456
	Current liabilities	**—**	—	Net loss	**—**	—	(154)
	Noncurrent liabilities	**—**	—				

(A) Substantially all assets were sold in September 2013.

(B) Investment exited in December 2014. The financial information presented for the income statement for the year ended September 30, 2015 is from October 1, 2014 through the date of exit in November 2014.

(C) Investment exited in November 2012. The financial information presented for the income statement for the year ended September 30, 2013 is from October 1, 2012 through the date of exit in November 2012.

Defiance Integrated Technologies, Inc. ("Defiance") was incorporated in Delaware on May 22, 2009 and is headquartered in Defiance, Ohio. Defiance is a leading manufacturer of axle nut and washer systems for heavy (Class 8) truck industry in North America and also provides a wheel bearing retainer nut, used primarily on light trucks, and brake cable tension limiters.

GFRC was incorporated in Texas on August 27, 2007 and is headquartered in Garland, Texas. GFRC designs, engineers, fabricates and delivers glass fiber reinforced concrete panels for commercial construction.

Lindmark was incorporated in Delaware on January 15, 2009 and is a single member limited liability company. Lindmark was primarily engaged in the outdoor advertising business operating approximately 1,600 billboard advertising displays in six states.

Midwest Metal was incorporated in Delaware, on May 18, 2010 and is a distributor and processor of custom cut aluminum and stainless steel sheet plate and bar products. Midwest Metal is headquartered in Midwest Metal, Ohio.

RBC Acquisition Corp. ("RBC") was incorporated in Delaware on March 7, 2013 and is a Food and Drug Administration inspected developer manufacturer of active pharmaceutical ingredients. RBC is headquartered in St Louis, Missouri.

Sunshine Media Group, Inc. ("Sunshine") was incorporated in Delaware on December 20, 2000 and is headquartered in Chattanooga, Tennessee. Sunshine is a fully integrated publishing, media and marketing services company that provides custom media and branded content solutions across multiple platforms, with an emphasis on healthcare and financial services.

Viapack, Inc. ("Viapack") was incorporated in Delaware on March 31, 2004 and is headquartered in Dalton, Georgia. Viapack was a regional manufacturer and marketer of polyethylene film serving the packaging and plastic film converting industries.

NOTE 15. SUBSEQUENT EVENTS

Portfolio Activity

Subsequent to September 30, 2015, the following significant portfolio activity occurred:

- *Allison Publications, LLC*—In October 2015, Allison Publications, LLC paid off at par for net proceeds of $8.2 million.
- *Ameriqual Group, LLC*—In October 2015, Ameriqual Group, LLC paid off at par for net proceeds of $7.4 million.
- *First American Payment Systems, LP.*—In October 2015, we sold our investment in First American Payment Systems, L.P. for net proceeds of $4.0 million, which resulted in a realized loss of $0.2 million.
- *Funko, LLC*—In October 2015, we sold our investment in Funko, LLC for net proceeds of $27.1 million, which resulted in a realized gain of $16.6 million and a small remaining equity investment.
- *Heartland Communications Group*—In October 2015, we exited our investment in Heartland Communications Group ("Heartland") for net proceeds of $1.5 million, which resulted in a realized loss of $2.7 million. Heartland was on non-accrual status at the time of the sale.
- *J. America, Inc.*—In November 2015, we received a partial paydown of $7.1 million on our investment in J. America, Inc.

Common Stock Offering

In October 2015, we completed a public offering of 2.0 million shares of our common stock. Gross proceeds totaled $17.1 million and net proceeds, after deductive underwriting discounts and offering costs borne by us, were approximately $16.0 million. In November, 2015, the underwriters fully exercised their overallotment option to purchase 0.3 million additional shares of our common stock, resulting in net proceeds, after deducting underwriting discounts and offering costs borne by us, of approximately $2.4 million

Distributions

On October 14, 2015, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2021 Term Preferred Share
October 26, 2015	November 4, 2015	$ 0.07	$ 0.140625
November 17, 2015	November 30, 2015	0.07	0.140625
December 18, 2015	December 31, 2015	0.07	0.140625
Total for the Quarter		**$ 0.21**	**$ 0.421875**

SCHEDULE 12-14

GLADSTONE CAPITAL CORPORATION
INVESTMENTS IN AND ADVANCES TO AFFILIATES
(AMOUNTS IN THOUSANDS)

Name of Issuer(A)	Title of Issue or Nature of Indebtedness(B)	Amount of Interest, Dividends, and Other Income(C)	Value as of September 30, 2014	Gross Additions(D)	Gross Reductions(E)	Value as of September 30, 2015
CONTROL INVESTMENTS:						
Defiance Integrated Technologies, Inc.	Secured Second Lien Debt	$ 1,464	$ 6,545	$ —	$ (161)	$ 6,384
	Common Stock	—	6,461	1,874	(1,749)	6,586
		1,464	13,006	1,874	(1,910)	12,970
Lindmark Acquisition, LLC	Secured First Lien Debt	232	—	—	—	—
	Success Fee on Secured Second Lien Debt	—	89	—	(69)	20
	Common Stock	—	—	—	—	—
		232	89	—	(69)	20
Midwest Metal Distributions, Inc.	Secured Second Lien Debt(F)(H)	—	4,455	14,197	(18,652)	—
	Common Stock Warrants(H)	—	—	2,175	(2,175)	—
	Preferred Stock(H)	—	—	138	(138)	—
		—	4,455	16,510	(20,965)	—
Sunshine Media Holdings	Secured First Lien Line of Credit(F)	93	424	1,200	(228)	1,396
	Secured First Lien Debt(I)	303	—	6,038	(3,659)	2,379
	Secured First Lien Debt(F)	—	4,491	6,449	(5,254)	5,686
	Secured First Lien Debt(F)	—	2,889	263	(3,152)	—
	Preferred Stock	—	—	—	—	—
	Common Stock	—	—	—	—	—
	Common Stock Warrants	—	—	—	—	—
		396	7,804	13,950	(12,293)	9,461
TOTAL CONTROL INVESTMENTS		**$ 2,452**	**$ 25,354**	**$ 32,334**	**$ (35,237)**	**$ 22,451**
AFFILIATE INVESTMENTS:						
Ashland Acquisition, LLC	Secured First Lien Line of Credit	$ 15	$ —	$ —	$ —	$ —
	Secured First Lien Debt	852	7,053	26	(62)	7,017
	Preferred Equity Units	—	206	369	(1)	574
	Common Equity Units	—	—	240	(2)	238
		867	7,259	635	(65)	7,829
Edge Adhesives Holdings, Inc.	Secured First Lien Line of Credit(H)	86	768	827	(1,595)	—
	Secured First Lien Debt	785	6,208	15	(100)	6,123
	Secured First Lien Debt	223	1,604	4	(26)	1,582
	Secured First Lien Debt(H)	12	585	—	(585)	—
	Preferred Stock	—	2,885	200	(3,085)	—
		1,106	12,050	1,046	(5,391)	7,705
FedCap Partners, LLC	Class A Membership Units	—	2,238	—	(591)	1,647
Lignetics, Inc.	Secured Second Lien Debt	730	6,007	15	(82)	5,940
	Secured Second Lien Debt(I)	473	—	8,000	(80)	7,920
	Common Stock	—	1,169	1,215	(173)	2,211
		1,203	7,176	9,230	(335)	16,071

Name of Issuer(A)	Title of Issue or Nature of Indebtedness(B)	Amount of Interest, Dividends, and Other Income(C)	Value as of September 30, 2014	Gross Additions(D)	Gross Reductions(E)	Value as of September 30, 2015
AFFILIATE INVESTMENTS (Continued):						
LWO Acquisitions Company, LLC	Secured First Lien Line of Credit(I)	95	—	2,466	(1,417)	1,049
	Secured First Lien Debt(I)	819	—	11,119	(553)	10,566
	Common Stock(I)	—	—	1,176	(631)	545
		914	—	14,761	(2,601)	12,160
RBC Acquisition Corp.	Secured First Lien Line of Credit	$ 269	$ 4,000	$ —	$ —	$ 4,000
	Secured First Lien Mortgage Note	493	6,891	—	(20)	6,871
	Secured First Lien Debt	1,014	11,392	—	(1,646)	9,746
	Secured Second Lien Debt	553	6,000	—	(6,000)	—
	Preferred Stock	—	—	—	—	—
	Common Stock	—	—	—	—	—
		2,329	28,283	—	(7,666)	20,617
TOTAL AFFILIATE INVESTMENTS		**$ 6,419**	**$ 57,006**	**$ 25,672**	**$ (16,649)**	**$ 66,029**

(A) Certain of the listed securities are issued by affiliates(s) of the indicated portfolio company.

(B) Common stock, warrants, options, membership units and, in some cases, preferred stock are generally non-income producing and restricted. The principal amount of debt and the number of shares of common and preferred stock and number of membership units are shown in our accompanying *Consolidated Schedules of Investments* as of September 30, 2015 and 2014.

(C) Represents the total amount of interest, dividends and other income credited to investment income for the portion of the fiscal year an investment was a control or affiliate investment, as appropriate.

(D) Gross additions include increases in investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and fees. Gross additions also include net increases in unrealized appreciation or decreases in unrealized depreciation.

(E) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs. Gross reductions also include net increases in unrealized depreciation or decreases in unrealized appreciation.

(F) Debt security was on non-accrual status as of (or during the year ended) September 30, 2015, and, therefore, was considered non-income producing for a period of time during the fiscal year ended September 30, 2015.

(H) We exited this investment during the year ended September 30, 2015.

(I) New investment during the year ended September 30, 2015.

** Information related to the amount of equity in the net profit and loss for the year for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

Part C—OTHER INFORMATION

Item 25. ***Financial Statements and Exhibits***

1. Financial Statements

The following financial statements and schedule of Gladstone Capital Corporation (the "Company" or the "Registrant") are included in the Registration Statement in "Part A: Information Required in a Prospectus:"

GLADSTONE CAPITAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidated Financial Statements

2. Exhibits

Exhibit Number	Description
2.a.1	Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.a.2	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.
2.a.3	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, including Appendix A thereto, incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A (File No. 001-35332), filed May 15, 2014.
2.a.4	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q (File No. 811-000000), filed July 30, 2014.
2.a.5	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 29, 2015.
2.b.1	By-laws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.b.2	Amendment to By-laws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.

Table of Contents

Exhibit Number	Description
2.b.3	Second Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
2.b.4	Third Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
2.c	Not applicable.
2.d.1	Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
2.d.2	Form of Senior Indenture incorporated by reference to Exhibit 2.d.3 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 20, 2009.
2.d.3	Form of Subordinated Indenture incorporated by reference to Exhibit 2.d.4 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 20, 2009.
2.d.4	Form of Certificate for 6.75% Series 2021 Term Preferred Stock, incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A (File No. 001-35332), filed May 15, 2014.
2.d.5	Form of Common Stock Subscription Form and Subscription Certificate, incorporated by reference to Exhibit 2.d.6 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.6	Form of Preferred Stock Subscription Form and Subscription Certificate, incorporated by reference to Exhibit 2.d.7 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.7	Form of Common Stock Warrant Agreement and Warrant Certificate incorporated by reference to Exhibit 2.d.8 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.8	Form of Preferred Stock Warrant Agreement and Warrant Certificate, incorporated by reference to Exhibit 2.d.9 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.9*	Form T-1 Statement of Eligibility of U.S. Bank National Association, as Trustee, with respect to the Form of Senior and Subordinated Indentures.
2.f	Not applicable.
2.g.1	Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of October 1, 2006, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 5, 2006.
2.g.2	Amendment No. 1 to Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of October 13, 2015, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 14, 2015.
2.h**	Underwriting Agreement.
2.i	Not applicable.
2.j.1	Custody Agreement between the Registrant and The Bank of New York, dated as of May 5, 2006, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed August 1, 2006.
2.j.2	Custodial Agreement, incorporated by reference to Exhibit 2.j.2 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.

Exhibit Number	Description
2.j.3	Amendment No. 1 to Custodial Agreement, incorporated by reference to Exhibit 2.j.3 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
2.j.4	Amendment No. 2 to Custodial Agreement, incorporated by reference to Exhibit 2.j.4 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
2.k.1	Stock Transfer Agency Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit 99.k.1 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.k.2	Administration Agreement between the Registrant and Gladstone Administration, LLC, dated as of October 1, 2006, incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 814-00237), filed October 5, 2006.
2.k.3	Fifth Amended and Restated Credit Agreement dated as of May 1, 2015, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Keybank National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed May 5, 2015.
2.k.4	Joinder Agreement, dated as of June 19, 2015, by and among Gladstone Business Loan, LLC, Gladstone Management Corporation, Keybank National Association and Santander Bank, N.A., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
2.k.5	Assignment, Acceptance and Joinder, dated as of June 19, 2015, by and between Keybank National Association and Alostar Bank of Commerce, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
2.k.6	Assignment and Acceptance, dated as of June 19, 2015, by and between Keybank National Association and Newbridge Bank, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
2.l.1*	Opinion of Counsel (Bass, Berry & Sims PLC)
2.l.2*	Opinion of Counsel (Venable LLP)
2.m	Not applicable.
2.n.1*	Consent of PricewaterhouseCoopers LLP
2.n.2	Consent of Counsel (Bass, Berry & Sims PLC) (included in Exhibit 2.l.1).
2.n.3	Consent of Counsel (Venable LLP) (included in Exhibit 2.l.2).
2.n.4*	Report of Independent Registered Public Accounting Firm on Financial Statement Schedule.
2.n.5*	Consent of Crowe Horwath LLP
2.n.6*	Consent of SS&G, Inc.
2.n.7*	Consent of Crowe Horwath LLP
2.o	Not applicable.
2.p	Subscription Agreement dated May 30, 2001, incorporated by reference to Exhibit 99.p to the Registration Statement on Form N-2 (File No. 333-63700), filed June 22, 2001.
2.q	Not applicable.

Table of Contents

Exhibit Number	Description
2.r	Code of Ethics and Business Conduct, updated January 28, 2013, incorporated by reference to Exhibit 14 to the Annual Report on Form 10-K (File No. 814-00237), filed November 20, 2013.
2.s.1*	Power of Attorney (included in the signature page hereto).
2.s.2	Reserved.
2.s.3*	Statements Re: Computation of Ratios.
2.s.4*	Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2014 and 2013 (unaudited).
2.s.5*	Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2013 and 2012 (audited).
2.s.6*	Financial Statements of Midwest Metal Distribution, Inc. and Subsidiaries as of and for the years ended December 31, 2013 and 2012 (audited).
2.s.7*	Financial Statements of Sunshine Media Group, Inc. as of and for the years ended December 31, 2014 and 2013 (audited).
2.s.8*	Form of Prospectus Supplement for Common Stock Offering.
2.s.9*	Form of Prospectus Supplement for Preferred Stock Offering.
2.s.10*	Form of Prospectus Supplement for Rights Offering of Common Stock.
2.s.11*	Form of Prospectus Supplement for Rights Offering of Preferred Stock.
2.s.12*	Form of Prospectus Supplement for Notes.
2.s.13*	Form of Prospectus Supplement for Senior Notes.
2.s.14*	Form of Prospectus Supplement for Warrants for Common Stock.
2.s.15*	Form of Prospectus Supplement for Warrants for Preferred Stock.

* Filed herewith.
** To be filed by post-effective amendment.

Item 26. ***Marketing Arrangements***

The information contained under the heading "*Plan of Distribution* " on page 144 of the prospectus is incorporated herein by reference, and any information concerning any underwriters will be contained in the accompanying prospectus supplement, if any.

Item 27. ***Other Expenses of Issuance and Distribution***

Commission registration fee	$ 30,210
FINRA fee	45,500
Accounting fees and expenses	55,000*
Printing and engraving	75,000*
Legal fees and expenses	250,000*
Miscellaneous fees and expenses	15,000*
Total	$470,710*

* These amounts are estimates.

All of the expenses set forth above shall be borne by the Registrant.

Item 28. ***Persons Controlled by or Under Common Control***

The following list sets forth each of the companies considered to be “controlled” by the Registrant as defined by the Investment Company Act of 1940, as of September 30, 2015:

- Gladstone Capital Advisers, Inc., a Delaware corporation, controlled by the Registrant, through 100% of the voting securities. (1)
- Gladstone Business Loan, LLC, a Delaware limited liability company, controlled by the Registrant, through 100% of the voting securities. (1)
  - Defiance Integrated Technologies, Inc., a Delaware corporation controlled by the Registrant through 64% of the voting securities.(2)
- Gladstone Financial Corporation, a Delaware corporation, controlled by the Registrant, through 100% of the voting securities. (1)
- Lindmark Holdings Corp., a Delaware corporation, controlled by the Registrant through 100% of the voting securities.(3)
  - Lindmark Acquisition, LLC a Delaware limited liability company, controlled by Lindmark Holdings Corp., through 100% of the voting securities.(3)
- Publication Holdings, Inc., a Delaware corporation, controlled by the Registrant through 100% of the voting securities.
  - Sunshine Media Group, Inc., a Delaware corporation, controller by Publication Holdings, Inc. through 100% of the voting securities.(2)

(1) Subsidiary is included in the Registrant’s consolidated financial statements.

(2) The Registrant filed separate audited or unaudited financial statements for these entities for the applicable periods as exhibits to its Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed on November 23, 2015.

(3) Subsidiary is not significant subsidiary as such term is defined in Rule 1-02(w) of Regulation S-X.

We may also be deemed to be under “common control” with the following entities: Gladstone Commercial Corporation; Gladstone Land Corporation; and Gladstone Investment Corporation by virtue of the fact that they are advised by the Adviser, Gladstone Management Corporation. We may also be deemed to be under “common control” with Gladstone Lending Corporation, a Maryland Corporation, and Gladstone Participation Fund, LLC, a Delaware limited liability company, because 100% of the voting securities of each are owned by the Adviser.

Item 29. ***Number of Holders of Securities***

The following table sets forth the approximate number of record holders of each class of our securities at December 17, 2015. This number does not include stockholders for whom shares are held in “street name.”

Title of Class	Number of Record Holders
Common Stock, par value $0.001 per share	37
6.75% Series 2021 Term Preferred Stock	1

Item 30. *Indemnification*

Indemnification and Limitation of Liability of Directors and Officers

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

The Maryland General Corporation Law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under the MGCL, we may not indemnify a director or officer in a suit by us or on our behalf in which the director or officer was adjudged liable to us or in a suit in which the director or officer was adjudged liable on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by us; and
- a written undertaking by or on behalf of the director or officer to repay the amount paid or reimbursed by us if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our bylaws permit us to advance expenses so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

Subject to the Investment Company Act of 1940, as amended (the “1940 Act”), or any valid rule, regulation or order of the Securities and Exchange Commission (“SEC”) thereunder, our charter obligates us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any director or officer, whether serving our company or at our request any other entity. Our charter also permits us to indemnify and advance expenses to any employee or agent of our company to the extent authorized by our board of directors or the bylaws and permitted by law.

Our bylaws obligate us, to the maximum extent required by Maryland law or the charter, to indemnify any person who was or is a party or is threatened to be made a party to any threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was our director, officer, employee or agent, or is or was serving at our request as a director, officer, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise if our board of directors determines that such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of our company, and, in the case of any criminal action or proceeding, that such person had no reasonable cause to believe that such person's conduct was unlawful. However, our bylaws permit us to advance expenses only so long as, in addition to the requirements above, we obtain security for the advance from the director or officer, we obtain insurance against losses arising by reason of lawful advances or we determine that there is reason to believe that the director or officer will be found entitled to indemnification.

These provisions on indemnification and limitation of liability are subject to the limitations of the 1940 Act that prohibit us from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

In addition, the investment advisory and management agreement between us and our investment adviser, Gladstone Management Corporation (the "Adviser"), as well as the administration agreement between us and our administrator Gladstone Administration, LLC (the "Administrator"), each provide that, absent willful misfeasance, bad faith, or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, the Adviser or the Administrator, as applicable, and their respective officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs, and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Adviser's services under the investment advisory and management agreement or otherwise as our investment adviser, or the rendering of the Administrator's services under the administration agreement, as applicable.

Item 31. ***Business and Other Connections of Investment Adviser***

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled "Management." Additional information regarding the Adviser and its officers and directors is set forth in its Form ADV, as filed with the SEC, and is incorporated herein by reference.

Item 32. ***Location of Accounts and Records***

All accounts, books or other documents required to be maintained by Section 31(a) of the 1940 Act and the rules thereunder are maintained at the offices of:

(1) the Registrant, Gladstone Capital Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102;

(2) the Transfer Agent, Computershare Inc., 250 Royall Street, Canton, MA 02021;

(3) the Adviser, Gladstone Management Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102;

(4) the Custodian, The Bank of New York Mellon Corp., 500 Ross Street, Suite 625, Pittsburgh, PA 15262; and

(5) the Collateral Custodian, The Bank of New York Mellon Corp., 500 Ross Street, Suite 625, Pittsburgh, PA 15262.

Item 33. ***Management Services***

Not applicable.

Item 34. ***Undertakings***

1. We hereby undertake to suspend the offering of shares until the prospectus is amended if: (1) subsequent to the effective date of this registration statement, our net asset value declines more than ten percent from our net asset value as of the effective date of this registration statement; or (2) the net asset value increases to an amount greater than our net proceeds as stated in the prospectus.

2. We hereby undertake:

(a) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended, or the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(b) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial *bona fide* offering thereof;

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(d) that, for the purpose of determining liability under the Securities Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the Securities Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the Securities Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however* , that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use;

(e) that for the purpose of determining liability of the Registrant under the Securities Act to any purchaser in the initial distribution of securities: The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the Securities Act;

(ii) the portion of any advertisement pursuant to Rule 482 under the Securities Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iii) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser;

(f) to file a post-effective amendment to the registration statement, and to suspend any offers or sales pursuant the registration statement until such post-effective amendment has been declared effective under the Securities Act, in the event the shares of the Registrant are trading below its net asset value and either (i) the Registrant receives, or has been advised by its independent registered accounting firm that it will receive, an audit report reflecting substantial doubt regarding the Registrant's ability to continue as a going concern or (ii) the Registrant has concluded that a material adverse change has occurred in its financial position or results of operations that has caused the financial statements and other disclosures on the basis of which the offering would be made to be materially misleading;

(g) to file a post-effective amendment to the registration statement in respect of any one or more offerings of the Registrant's shares (including warrants and/or rights to purchase the shares) below net asset value that will result in greater than 15% dilution, in the aggregate, to existing net asset value per share;

(h) to file a post-effective amendment to the registration statement in connection with any rights offering; and

(i) to file a post-effective amendment to the registration statement in connection with any combined offering of securities.

3. We hereby undertake that:

(a) for the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us under Rule 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, and the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of McLean and Commonwealth of Virginia, on the 18th day of December 2015.

GLADSTONE CAPITAL CORPORATION

By: /s/ David Gladstone
David Gladstone
Chief Executive Officer and Chairman of the Board of Directors

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENT, each person whose signature appears below hereby constitutes and appoints David Gladstone and Michael LiCalsi and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Registration Statement and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities indicated on December 18, 2015:

By: /s/ David Gladstone
David Gladstone
Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)

By: /s/ Melissa Morrison
Melissa Morrison
Chief Financial Officer and Treasurer (principal financial officer)

By: /s/ Terry L. Brubaker
Terry L. Brubaker
Vice Chairman, Chief Operating Officer, Director

By: /s/ Paul W. Adelgren
Paul W. Adelgren
Director

By: /s/ Michela A. English
Michela A. English
Director

By: /s/ Caren D. Merrick
Caren D. Merrick
Director

By: /s/ John H. Outland
John H. Outland
Director

By: /s/ Anthony W. Parker
Anthony W. Parker
Director

By: /s/ Walter H. Wilkinson, Jr.
Walter H. Wilkinson, Jr.
Director

Table of Contents

Exhibits

Exhibit Number	Description
2.a.1	Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.a.2	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.
2.a.3	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, including Appendix A thereto, incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A (File No. 001-35332), filed May 15, 2014.
2.a.4	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q (File No. 811-000000), filed July 30, 2014.
2.a.5	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 29, 2015.
2.b.1	By-laws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.b.2	Amendment to By-laws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.
2.b.3	Second Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
2.b.4	Third Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
2.c	Not applicable.
2.d.1	Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
2.d.2	Form of Senior Indenture incorporated by reference to Exhibit 2.d.3 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 20, 2009.
2.d.3	Form of Subordinated Indenture incorporated by reference to Exhibit 2.d.4 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 20, 2009.
2.d.4	Form of Certificate for 6.75% Series 2021 Term Preferred Stock, incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A (File No. 001-35332), filed May 15, 2014.
2.d.5	Form of Common Stock Subscription Form and Subscription Certificate, incorporated by reference to Exhibit 2.d.6 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.6	Form of Preferred Stock Subscription Form and Subscription Certificate, incorporated by reference to Exhibit 2.d.7 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.7	Form of Common Stock Warrant Agreement and Warrant Certificate incorporated by reference to Exhibit 2.d.8 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.

Exhibit Number	Description
2.d.8	Form of Preferred Stock Warrant Agreement and Warrant Certificate, incorporated by reference to Exhibit 2.d.9 to Pre-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed January 17, 2013.
2.d.9*	Form T-1 Statement of Eligibility of U.S. Bank National Association, as Trustee, with respect to the Form of Senior and Subordinated Indentures.
2.f	Not applicable.
2.g.1	Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of October 1, 2006, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 5, 2006.
2.g.2	Amendment No. 1 to Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of October 13, 2015, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed October 14, 2015.
2.h**	Underwriting Agreement.
2.i	Not applicable.
2.j.1	Custody Agreement between the Registrant and The Bank of New York, dated as of May 5, 2006, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed August 1, 2006.
2.j.2	Custodial Agreement, incorporated by reference to Exhibit 2.j.2 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
2.j.3	Amendment No. 1 to Custodial Agreement, incorporated by reference to Exhibit 2.j.3 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
2.j.4	Amendment No. 2 to Custodial Agreement, incorporated by reference to Exhibit 2.j.4 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
2.k.1	Stock Transfer Agency Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit 99.k.1 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
2.k.2	Administration Agreement between the Registrant and Gladstone Administration, LLC, dated as of October 1, 2006, incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 814-00237), filed October 5, 2006.
2.k.3	Fifth Amended and Restated Credit Agreement dated as of May 1, 2015, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Keybank National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed May 5, 2015.
2.k.4	Joinder Agreement, dated as of June 19, 2015, by and among Gladstone Business Loan, LLC, Gladstone Management Corporation, Keybank National Association and Santander Bank, N.A., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
2.k.5	Assignment, Acceptance and Joinder, dated as of June 19, 2015, by and between Keybank National Association and Alostar Bank of Commerce, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
2.k.6	Assignment and Acceptance, dated as of June 19, 2015, by and between Keybank National Association and Newbridge Bank, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.

Table of Contents

Exhibit Number	Description
2.l.1*	Opinion of Counsel (Bass, Berry & Sims PLC)
2.l.2*	Opinion of Counsel (Venable LLP)
2.m	Not applicable.
2.n.1*	Consent of PricewaterhouseCoopers LLP
2.n.2	Consent of Counsel (Bass, Berry & Sims PLC) (included in Exhibit 2.l.1).
2.n.3	Consent of Counsel (Venable LLP) (included in Exhibit 2.l.2).
2.n.4*	Report of Independent Registered Public Accounting Firm on Financial Statement Schedule.
2.n.5*	Consent of Crowe Horwath LLP
2.n.6*	Consent of SS&G, Inc.
2.n.7*	Consent of Crowe Horwath LLP
2.o	Not applicable.
2.p	Subscription Agreement dated May 30, 2001, incorporated by reference to Exhibit 99.p to the Registration Statement on Form N-2 (File No. 333-63700), filed June 22, 2001.
2.q	Not applicable.
2.r	Code of Ethics and Business Conduct, updated January 28, 2013, incorporated by reference to Exhibit 14 to the Annual Report on Form 10-K (File No. 814-00237), filed November 20, 2013.
2.s.1*	Power of Attorney (included in the signature page hereto).
2.s.2	Reserved.
2.s.3*	Statements Re: Computation of Ratios.
2.s.4*	Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2014 and 2013 (unaudited).
2.s.5*	Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2013 and 2012 (audited).
2.s.6*	Financial Statements of Midwest Metal Distribution, Inc. and Subsidiaries as of and for the years ended December 31, 2013 and 2012 (audited).
2.s.7*	Financial Statements of Sunshine Media Group, Inc. as of and for the years ended December 31, 2014 and 2013 (audited).
2.s.8*	Form of Prospectus Supplement for Common Stock Offering.
2.s.9*	Form of Prospectus Supplement for Preferred Stock Offering.
2.s.10*	Form of Prospectus Supplement for Rights Offering of Common Stock.
2.s.11*	Form of Prospectus Supplement for Rights Offering of Preferred Stock.
2.s.12*	Form of Prospectus Supplement for Notes.
2.s.13*	Form of Prospectus Supplement for Senior Notes.
2.s.14*	Form of Prospectus Supplement for Warrants for Common Stock.
2.s.15*	Form of Prospectus Supplement for Warrants for Preferred Stock.

* Filed herewith.
** To be filed by post-effective amendment.

Exhibit 2.d.9

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

☐ **Check if an Application to Determine Eligibility of a Trustee Pursuant to Section 305(b)(2)**

U.S. BANK NATIONAL ASSOCIATION

(Exact name of Trustee as specified in its charter)

31-0841368
I.R.S. Employer Identification No.

800 Nicollet Mall **Minneapolis, Minnesota** **(Address of principal executive offices)**	**55402** **(Zip Code)**

Wally Jones
U.S. Bank National Association
333 Commerce Street, Suite 800
Nashville, TN 37201
(615) 251-0733
(Name, address and telephone number of agent for service)

Gladstone Investment Corporation
(Issuer with respect to the Securities)

Delaware **(State or other jurisdiction of incorporation or organization)**	**83-0423116** **(I.R.S. Employer Identification No.)**
1521 Westbranch Drive, Suite 100 **McLean, Virginia** **(Address of Principal Executive Offices)**	**22102** **(Zip Code)**

Debt Securities
(Title of the Indenture Securities)

FORM T-1

Item 1. **GENERAL INFORMATION.** Furnish the following information as to the Trustee.

a) *Name and address of each examining or supervising authority to which it is subject.*
Comptroller of the Currency
Washington, D.C.

b) *Whether it is authorized to exercise corporate trust powers.*
Yes

Item 2. **AFFILIATIONS WITH OBLIGOR.** *If the obligor is an affiliate of the Trustee, describe each such affiliation.*
None

Items 3-15 *Items 3-15 are not applicable because to the best of the Trustee's knowledge, the obligor is not in default under any Indenture for which the Trustee acts as Trustee.*

Item 16. **LIST OF EXHIBITS:** *List below all exhibits filed as a part of this statement of eligibility and qualification.*

1. A copy of the Articles of Association of the Trustee.*
2. A copy of the certificate of authority of the Trustee to commence business, attached as Exhibit 2.
3. A copy of the certificate of authority of the Trustee to exercise corporate trust powers, attached as Exhibit 3.
4. A copy of the existing bylaws of the Trustee.**
5. A copy of each Indenture referred to in Item 4. Not applicable.
6. The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939, attached as Exhibit 6.
7. Report of Condition of the Trustee as of September 30, 2015 published pursuant to law or the requirements of its supervising or examining authority, attached as Exhibit 7.

* Incorporated by reference to Exhibit 25.1 to Amendment No. 2 to registration statement on S-4, Registration Number 333-128217 filed on November 15, 2005.

** Incorporated by reference to Exhibit 25.1 to registration statement on form S-3ASR, Registration Number 333-199863 filed on November 5, 2014.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Nashville, State of Tennessee on the 10th of December, 2015.

By: /s/ Wally Jones
Wally Jones
Vice President

Exhibit 2

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "U.S. Bank National Association," Cincinnati, Ohio (Charter No. 24), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, July 3, 2015, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

Comptroller of the Currency

Exhibit 3

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATION OF FIDUCIARY POWERS

I, Thomas J. Curry, Comptroller of the Currency, do hereby certify that:

1. The Office of the Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. "U.S. Bank National Association," Cincinnati, Ohio (Charter No. 24), was granted, under the hand and seal of the Comptroller, the right to act in all fiduciary capacities authorized under the provisions of the Act of Congress approved September 28, 1962, 76 Stat. 668, 12 USC 92a, and that the authority so granted remains in full force and effect on the date of this certificate.

IN TESTIMONY WHEREOF, today, July 3, 2015, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia.

Comptroller of he Currency

Exhibit 6

CONSENT

In accordance with Section 321(b) of the Trust Indenture Act of 1939, the undersigned, U.S. BANK NATIONAL ASSOCIATION hereby consents that reports of examination of the undersigned by Federal, State, Territorial or District authorities may be furnished by such authorities to the Securities and Exchange Commission upon its request therefor.

Dated: December 10, 2015

By: /s/ Wally Jones
Wally Jones
Vice President

Exhibit 7
U.S. Bank National Association
Statement of Financial Condition
As of 9/30/2015

($000's)

	9/30/2015
Assets	
Cash and Balances Due From Depository Institutions	$ 10,415,443
Securities	104,656,800
Federal Funds	100,570
Loans & Lease Financing Receivables	254,216,913
Fixed Assets	4,639,396
Intangible Assets	12,997,753
Other Assets	23,862,998
Total Assets	**$ 410,889,873**
Liabilities	
Deposits	$ 305,185,303
Fed Funds	1,491,858
Treasury Demand Notes	0
Trading Liabilities	1,227,900
Other Borrowed Money	45,698,345
Acceptances	0
Subordinated Notes and Debentures	3,150,000
Other Liabilities	11,782,630
Total Liabilities	**$ 368,536,036**
Equity	
Common and Preferred Stock	18,200
Surplus	14,266,400
Undivided Profits	27,210,891
Minority Interest in Subsidiaries	858,346
Total Equity Capital	**$ 42,353,837**
Total Liabilities and Equity Capital	**$ 410,889,873**

Bass, Berry & Sims PLC

150 Third Avenue South, Suite 2800
Nashville, TN 37201
(615) 742-6200

December 18, 2015

Gladstone Capital Corporation
1521 Westbranch Drive
Suite 100
McLean, VA 22102

Re: Registration Statement on Form N-2

Ladies and Gentlemen:

We are acting as counsel to Gladstone Capital Corporation, a Maryland corporation (the "***Company***"), in connection with the Company's registration statement on Form N-2 (the "***Registration Statement***"), filed today with the Securities and Exchange Commission (the "***Commission***") under the Securities Act of 1933, as amended (the "***Act***"), relating to the registration and proposed public offering of up to $300,000,000 in aggregate amount of one or more series of the following securities (collectively, the "***Securities***"): (i) shares of common stock, $0.001 par value per share, of the Company (the "***Common Stock***"); (ii) shares of preferred stock, $0.001 par value per share, of the Company (the "***Preferred Stock***"); (iii) senior debt securities, in one or more series (the "***Senior Debt Securities***"), which may be issued pursuant to an indenture to be dated on or about the date of first issuance of Senior Debt Securities thereunder, by and between a trustee to be selected by the Company (the "***Trustee***") and the Company, in substantially the form filed as Exhibit 2.d.2 to the Registration Statement, as such indenture may be supplemented from time to time (the "***Senior Indenture***"); (iv) subordinated debt securities, in one or more series (the "***Subordinated Debt Securities***" and, together with the Senior Debt Securities, the "***Debt Securities***"), which may be issued pursuant to an indenture to be dated on or about the date of the first issuance of Subordinated Debt Securities thereunder, by and between the Trustee and the Company, in substantially the form filed as Exhibit 2.d.3 to the Registration Statement, as such indenture may be supplemented from time to time (the "***Subordinated Indenture***" and, collectively with the Senior Indenture, an "***Indenture***"); (v) subscription rights to purchase Common Stock or Preferred Stock, which may be evidenced by subscription certificates and administered by a subscription agent to be selected by the Company (the "***Subscription Agent***"), such certificates in substantially the forms filed as Exhibits 2.d.5 and 2.d.6 to the Registration Statement (each, a "***Subscription Certificate***"); and (vi) warrants to purchase Common Stock or Preferred Stock (the "***Warrants***") which may be issued under warrant agreements, to be dated on or about the date of the first issuance of the applicable Warrants thereunder, by and between a warrant agent to be selected by the Company (the "***Warrant Agent***") and the Company in substantially the forms filed as Exhibits 2.d.7 and 2.d.8 to the Registration Statement (each, a "***Warrant Agreement***"). The Securities may be sold from time to time and on a delayed or continuous basis as set forth in the prospectus that forms a part of the Registration Statement, and as to be set forth in one or more supplements to such prospectus. In connection with the Registration Statement, you have requested our opinion with respect to the matters set forth below.

For purposes of this opinion letter, we have examined copies of such agreements, instruments and documents as we have deemed relevant and necessary to form a basis on which to render the opinions hereinafter expressed. In such examination, we have assumed the legal capacity of all natural persons, the legal power and authority of all persons signing on behalf of other parties, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, facsimile, conformed, digitally scanned or photostatic copies and the authenticity of the originals of such latter documents. In making our examination of documents executed or to be executed, we have assumed that the parties thereto other than the Company had or will have the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and the validity and binding effect of such documents on such parties. As to facts material to the opinions, statements and assumptions expressed herein, we have, with your consent, relied upon oral or written statements and representations of officers and other representatives of the Company, public officials and others. We have not independently verified such factual matters.

In expressing the opinions set forth below, we have assumed that:

1. the issuance, sale, amount and terms of any Securities of the Company to be offered from time to time will have been duly authorized and established by proper action of the Board of Directors of the Company or a duly authorized committee thereof ("***Board Action***") consistent with the procedures and terms described in the Registration Statement and in accordance with the Company's Articles of Amendment and Restatement to the Articles of Incorporation, as amended or supplemented ("***Articles of Incorporation***"), and bylaws, as amended, and applicable provisions of Maryland law, in a manner that does not violate any law, government or court-imposed order or restriction or agreement or instrument then binding on the Company or otherwise impair the legal or binding nature of the obligations represented by the applicable Securities and such Board Action shall remain in effect and unchanged at all times during which such Securities are offered by the Company;

2. at the time of offer, issuance and sale of any Securities, the Registration Statement, and any other required post-effective amendments thereto, will be effective under the Act, any required prospectus supplement with respect to such Securities will have been delivered and filed with the Commission and no stop order suspending its effectiveness will have been issued and remain in effect;

3. upon the issuance of Common Stock, including Common Stock that may be issued upon conversion or exercise of any other Securities convertible into or exercisable for Common Stock, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Company's Articles of Incorporation;

4. upon the issuance of Preferred Stock, including Preferred Stock that may be issued upon conversion or exercise of any other Securities convertible into or exercisable for Preferred Stock, the total number of shares of Preferred Stock issued and outstanding, and the total number of issued and outstanding shares of the applicable class or series of Preferred Stock designated pursuant to the Company's Articles of Incorporation, will not exceed the total number of shares of Preferred Stock or the number of shares of such class or series of Preferred Stock that the Company is then authorized to issue under the Company's Articles of Incorporation, and prior to any issuance of Preferred Stock, any required articles supplementary with respect to such Preferred Stock shall be filed for recordation with the appropriate governmental authorities;

5. any Warrants will be issued under a Warrant Agreement between the Company and a Warrant Agent; the terms of the Warrants and of their issuance and sale will be duly established in conformity with any applicable Warrant Agreement and as described in the Registration Statement, the Prospectus and the related Prospectus Supplement(s) in accordance with applicable law and so as not to result in a default under or breach of any agreement or instrument binding upon the Company, so as to be in conformity with the Articles of Incorporation and bylaws, and so as to comply with any requirement or restriction imposed by any court or governmental body having jurisdiction over the Company; and the Warrants will be duly executed and delivered by the Company and authenticated by the Warrant Agent pursuant to any applicable Warrant Agreement;

6. any Debt Securities will be issued under an Indenture between the Company and a Trustee and such Trustee is qualified to act as Trustee under the Indenture, the Company has filed respective Forms T-1 for the Trustee with the Commission and the Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended, and has been duly authorized, executed and delivered by the Company and the Trustee in substantially the form filed as an exhibit to the Registration Statement;

7. the terms of the Debt Securities and of their issuance and sale have been duly established in conformity with the Indenture so as not to violate any applicable law or result in a default under or breach of any agreement or instrument binding upon the Company, so as to be in conformity with the Articles of Incorporation and bylaws, and so as to comply with any requirement or restriction imposed by any court or governmental body having jurisdiction over the Company;

8. the interest rate on the Debt Securities will not be greater than the maximum rate permitted from time to time by applicable law;

9. any Securities convertible into or exercisable for any other Securities will be duly converted or exercised in accordance with their terms;

10. the Securities will be delivered against payment of valid consideration therefor and in accordance with the terms of the applicable Board Action authorizing such sale and any applicable underwriting agreement, purchase agreement, distribution agreement or similar agreement and as contemplated by the Registration Statement and/or the applicable prospectus supplement;

11. the laws of the State of New York will be the governing law under any Indenture, Warrant Agreement or Subscription Certificate; and

12. the Company will remain a Maryland corporation.

To the extent that the obligations of the Company with respect to the Securities may be dependent upon such matters, we assume for purposes of this opinion letter that any Trustee, Warrant Agent or Subscription Agent is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; that such Trustee, Warrant Agent or Subscription Agent will be duly qualified to engage in the activities contemplated by such Indenture, Warrant Agreement or Subscription Certificate, as applicable; that such Indenture, Warrant Agreement or Subscription Certificate, as applicable, will have been duly authorized, executed and delivered by such Trustee, Warrant Agent or Subscription Agent, as applicable, and will constitute the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms; that such Trustee, Warrant Agent or Subscription Agent will be in compliance with respect to performance of its obligations under such Indenture, Warrant Agreement or Subscription Certificate, as applicable, with all applicable laws and regulations; and that such Trustee, Warrant Agent or Subscription Agent will have the requisite organizational and legal power and authority to perform its obligations under such Indenture, Warrant Agreement or Subscription Certificate, as applicable.

This opinion letter is based as to matters of law solely on the applicable provisions of the federal laws of the United States and the laws of the State of New York (but not including any laws, statutes, ordinances, administrative decisions, rules or regulations of any political subdivision of the State of New York). We express no opinion herein as to any other laws, statutes, ordinances, rules, or regulations (and in particular, we express no opinion as to any effect that such laws, statutes, ordinances, rules, or regulations may have on the opinions expressed herein).

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

(a) The Warrants, upon due execution and delivery of a Warrant Agreement relating thereto on behalf of the Company and the Warrant Agent named therein and due authentication of the Warrants by such Warrant Agent, and upon due execution and delivery of the Warrants on behalf of the Company, will constitute valid and binding obligations of the Company.

(b) The Debt Securities, upon due execution and delivery of an Indenture relating thereto on behalf of the Company and the Trustee named therein and due authentication of the Debt Securities by such Trustee, and upon due execution and delivery of the Debt Securities on behalf of the Company, will constitute valid and binding obligations of the Company.

The opinions expressed above with respect to the valid and binding nature of obligations may be limited by the following exceptions, limitations and qualifications: (i) the effect of bankruptcy, insolvency, reorganization, receivership, moratorium or other laws affecting creditors' rights (including, without limitation, the effect of statutory and other law regarding fraudulent conveyances, fraudulent transfers and preferential transfers); (ii) the exercise of judicial discretion and the application of principles of equity, good faith, fair dealing, reasonableness, conscionability and materiality (regardless of whether the Securities are considered in a proceeding in equity or at law); (iii) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of or contribution to a party with respect to a liability where such indemnification or contribution is contrary to public policy; and (iv) the unenforceability of any provision requiring the payment of attorneys' fees, where such payment is contrary to law or public policy. The opinions rendered herein do not include opinions with respect to compliance with laws relating to permissible rates of interest.

This opinion is furnished to you in connection with the Registration Statement and may not be relied upon for any other purpose without our express written consent. No opinion may be implied or inferred beyond the opinion expressly stated. This opinion is given as of the date hereof, and we assume no obligation to advise you of any changes in applicable law or any facts or circumstances that come to our attention after the date hereof that may affect the opinions contained herein.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm contained under the heading “Legal Matters.” In giving this consent, we do not admit that we are in the category of persons whose consent is required by Section 7 of the Act, or the rules and regulations promulgated thereunder by the Commission.

Very truly yours,

/s/ Bass, Berry & Sims PLC

Exhibit 2.l.2

[LETTERHEAD OF VENABLE LLP]

December 18, 2015

Gladstone Capital Corporation
Suite 100
1521 Westbranch Drive
McLean, Virginia 22102

Re: Registration Statement on Form N-2

Ladies and Gentlemen:

We have served as Maryland counsel to Gladstone Capital Corporation, a Maryland corporation (the "Company"), and a business development company under the Investment Company Act of 1940, as amended (the "1940 Act"), in connection with certain matters of Maryland law arising out of the registration of the following securities having an aggregate initial offering price of up to $300,000,000 (collectively, the "Securities"): (a) shares of common stock, $0.001 par value per share, of the Company (the "Common Stock"); (b) shares of preferred stock, $0.001 par value per share, of the Company (the "Preferred Stock"); (c) warrants (the "Warrants") to purchase Common Stock; (d) subscription rights to purchase Common Stock or Preferred Stock (the "Rights"); and (e) debt securities of the Company (the "Debt Securities"), covered by the above-referenced Registration Statement, and all amendments thereto (the "Registration Statement"), filed by the Company with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act").

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the form of prospectus included therein, substantially in the form transmitted to the Commission under the 1933 Act;

2. The charter of the Company (the "Charter"), certified by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, as amended (the "Bylaws"), certified as of the date hereof by an officer of the Company;

4. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

5. Resolutions adopted by the Board of Directors of the Company (the "Board") relating to the registration of the Securities (the "Resolutions"), certified as of the date hereof by an officer of the Company;

6. A certificate executed by an officer of the Company, dated as of the date hereof; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or any other person, is legally competent to do so.

2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.

3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.

4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.

5. The issuance of, and certain terms of, the Securities to be issued by the Company from time to time will be authorized and approved by the Board, or a duly authorized committee thereof, in accordance with the Maryland General Corporation Law, the Charter, the Bylaws and the Resolutions (such approval referred to herein as the "Corporate Proceedings").

6. Articles Supplementary creating and designating the number of shares and the terms of any class or series of Preferred Stock to be issued by the Company will be filed with and accepted for record by the SDAT prior to the issuance of such Preferred Stock.

7. Upon the issuance of any Securities that are shares of Common Stock ("Common Securities"), including Common Securities which may be issued upon conversion or exercise of any other Securities convertible into or exercisable for Common Securities, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter.

8. Upon the issuance of any Securities that are shares of Preferred Stock ("Preferred Securities"), including Preferred Securities which may be issued upon conversion or exercise of any other Securities convertible into or exercisable for Preferred Securities, the total number of shares of Preferred Stock issued and outstanding, and the total number of issued and outstanding shares of the applicable class or series of Preferred Stock designated pursuant to the Charter, will not exceed the total number of shares of Preferred Stock or the number of shares of such class or series of Preferred Stock that the Company is then authorized to issue under the Charter.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. Upon the completion of all Corporate Proceedings relating to Common Securities, the issuance of the Common Securities will be duly authorized and, when and if issued and delivered against payment therefor in accordance with the Registration Statement, the Resolutions and the Corporate Proceedings, the Common Securities will be validly issued, fully paid and nonassessable.

3. Upon the completion of all Corporate Proceedings relating to Preferred Securities, the issuance of the Preferred Securities will be duly authorized and, when and if issued and delivered against payment therefor in accordance with the Registration Statement, the Resolutions and the Corporate Proceedings, the Preferred Securities will be validly issued, fully paid and nonassessable.

4. Upon the completion of all Corporate Proceedings relating to the Securities that are Warrants, the issuance of the Warrants will be duly authorized.

5. Upon the completion of all Corporate Proceedings relating to the Securities that are Rights, the issuance of the Rights will be duly authorized.

6. Upon the completion of all Corporate Proceedings relating to the Securities that are Debt Securities, the issuance of the Debt Securities will be duly authorized.

The foregoing opinion is limited to the laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to compliance with federal or state securities laws, including the securities laws of the State of Maryland, or the 1940 Act. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Maryland, we do not express any opinion on such matter. The opinion expressed herein is subject to the effect of judicial decisions which may permit the introduction of parol evidence to modify the terms or the interpretation of agreements.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,

/s/ Venable LLP

Exhibit 2.n.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form N-2 of Gladstone Capital Corporation of our reports dated November 23, 2015 relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting and the senior securities table of Gladstone Capital Corporation, which appears in such Registration Statement. We also consent to the reference to us under the headings "Senior Securities" and "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
McLean, Virginia
December 18, 2015

Exhibit 2.n.4

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Gladstone Capital Corporation:

We have audited the consolidated financial statements of Gladstone Capital Corporation ("the Company") as of September 30, 2015 and 2014 and for each of the three years in the period ended September 30, 2015 and the effectiveness of the Company's internal control over financial reporting as of September 30, 2015 referred to in our report dated November 23, 2015 appearing in the accompanying registration statement on Form N-2. We have also previously audited the consolidated financial statements of the Company as of and for the years ended September 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 (not presented herein) appearing under Item 8 of the Company's 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006 and 2005 Annual Reports on Form 10-K, respectively, and we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the senior securities table of Gladstone Capital Corporation for each of the eleven years in the period ended September 30, 2015 appearing on page 77 of this form N-2 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

McLean, Virginia

November 23, 2015

Exhibit 2.n.5

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the use in this Registration Statement on Form N-2 of Gladstone Capital Corporation of our report dated March 25, 2014 relating to the consolidated financial statements of Defiance Integrated Technologies, Inc. as of December 31, 2013 and 2012, which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Crowe Horwath LLP

Fort Wayne, IN

December 16, 2015

Exhibit 2.n.6

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the use in this Registration Statement on Form N-2, including post-effective amendments thereto of Gladstone Capital Corporation of our report dated October 3, 2014 relating to the consolidated financial statements of Midwest Metal Distribution, Inc. and Subsidiaries as of December 31, 2013 and 2012, which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ SS&G, Inc.

Akron, OH
December 18, 2015

Exhibit 2.n.7

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the use in this Registration Statement on Form N-2 of Gladstone Capital Corporation of our report dated April 30, 2015 relating to the consolidated financial statements of Sunshine Media Group, Inc. as of December 31, 2014 and 2013, which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Crowe Horwath LLP

Franklin, Tennessee

December 18, 2015

STATEMENTS RE: COMPUTATION OF RATIOS
(Dollars in Thousands, Except Ratios)

	For the Years Ended September 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Net investment income	**$17,700**	$18,368	$18,386	$19,044	$18,412
Add: fixed charges and mandatorily redeemable preferred distributions	**9,050**	7,213	7,137	8,108	4,096
Less: mandatorily redeemable preferred distributions	**(4,116)**	(3,338)	(2,744)	(2,491)	—
Net earnings	**$22,634**	$22,243	$22,779	$24,661	$22,508
Fixed charges and mandatorily redeemable preferred distributions:					
Interest expense	**3,828**	2,628	3,182	4,374	2,676
Amortization of deferred financing fees	**1,106**	1,247	1,211	1,243	1,420
Mandatorily redeemable preferred distributions	**4,116**	3,338	2,744	2,491	—
Total fixed charges and mandatorily redeemable preferred distributions	**$ 9,050**	$ 7,213	$ 7,137	$ 8,108	$ 4,096
Ratio of net earnings to combined fixed charges and mandatorily redeemable preferred distributions	**2.5**	3.1	3.2	3.0	5.5

The calculation of the ratio of net earnings to combined fixed charges and mandatorily redeemable preferred distributions is above. “Net earnings” consist of net investment income before fixed charges. “Fixed charges” consist of interest expense and amortization of deferred financing fees.

Exhibit 2.s.4

DEFIANCE INTEGRATED TECHNOLOGIES, INC

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013
(unaudited)

DEFIANCE INTEGRATED TECHNOLOGIES, INC.

Defiance, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013
(unaudited)

CONTENTS

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013
(unaudited)

	2014	2013
ASSETS		
Current assets		
Cash in bank	$ 1,659,805	$ 487,392
Accounts receivable, trade net of allowance for doubtful accounts: 2014 - $12,000; 2013 - $24,000	3,628,147	2,900,899
Accounts receivable, other	293,827	207,785
Inventories	2,799,282	2,162,382
Prepaid expenses	302,069	56,601
Total current assets	8,683,130	5,815,059
Property, plant and equipment		
Land	300,250	300,250
Construction in process	232,096	61,991
Machinery and equipment	6,882,676	5,983,777
	7,415,022	6,346,018
Less accumulated depreciation	2,616,385	1,969,349
	4,798,637	4,376,669
Goodwill	1,150,266	1,150,266
Customer relationships, net	216,224	237,667
Unpatented technology	5,120,000	5,120,000
Non-compete agreement, net	27,500	37,500
Total assets	$ 19,995,757	$ 16,737,161

See accompanying notes to the consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013
(unaudited)

	2014	2013
LIABILITIES		
Current liabilities		
Bank overdraft	$ 143,713	$ 14,717
Accounts payable	2,109,786	1,071,610
Accrued expenses	601,513	971,493
Current maturities of long-term debt	633,333	520,000
Total current liabilities	3,488,345	2,577,820
Long-term debt, less current maturities	6,898,777	6,914,623
Deferred tax liability	2,283,000	1,757,000
Total liabilities	12,670,122	11,249,443
SHAREHOLDERS' EQUITY		
Preferred stock (4,750 shares authorized, issued and outstanding with $.01 par value, $345,290 and $325,326 liquidation preference at December 31, 2014 and 2013, respectively)	48	48
Common stock (50,000 shares authorized with $.01 par value, issued and outstanding 20,316 shares at December 31, 2014 and 2013)	203	203
Additional paid in capital	665,508	647,508
Retained earnings	6,659,876	4,839,959
Total shareholders' equity	7,325,635	5,487,718
Total liabilities and shareholders' equity	$ 19,995,757	$ 16,737,161

See accompanying notes to the consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
For the years ended December 31, 2014 and 2013
(unaudited)

	2014	2013
Net sales	$30,444,424	$24,075,377
Cost of sales	23,634,935	19,237,081
Gross profit	6,809,489	4,838,296
Selling, general and administrative expenses	2,759,288	2,414,993
Share based compensation	18,000	(35,276)
Income before other expenses	4,032,201	2,458,579
Other expenses		
Other expense	521,743	204,462
Interest expense	756,857	813,801
Total other expense	1,278,600	1,018,263
Income before provision for income taxes	2,753,601	1,440,316
Provision for income taxes	933,684	433,325
Net income	1,819,917	1,006,991
Retained earnings, beginning of period	4,839,959	3,832,968
Retained earnings, end of period	$ 6,659,876	$ 4,839,959

See accompanying notes to the consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013
(unaudited)

	2014	2013
Cash flows from operating activities		
Net income	$1,819,917	$ 1,006,991
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	703,883	625,750
Loss on asset disposal	10,065	15,514
Share based compensation	18,000	(35,276)
Deferred taxes	526,000	76,472
Changes in current assets and liabilities		
Inventories	(636,900)	126,898
Accounts receivable	(813,290)	195,517
Prepaid expenses	(245,468)	50,794
Accounts payable and accrued expenses	668,196	688,759
Net cash provided by operating activities	2,050,403	2,751,419
Cash flows from investing activities		
Capital expenditures	(484,591)	(339,693)
Proceeds from asset disposal	6,137	10,419
Net cash used for inventing activities	(478,454)	(329,274)
Cash flows from financing activities		
Checks written in excess of bank balance	128,996	(220,630)
Payments on revolving credit facility	(603,805)	(6,915,173)
Borrowings on revolving credit facility	603,805	5,727,999
Payments on long-term debt	(208,532)	(217,266)
Payments on subordinated debt	(320,000)	(320,000)
Net cash provided by (used for) financing activities	(399,536)	(1,945,070)
Net change in cash	1,172,413	477,075
Cash, beginning of period	487,392	10,317
Cash, end of period	**$1,659,805**	**$ 487,392**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 758,194	$ 818,113
Cash paid for income taxes	$1,049,308	$ 36,966
Capital expenditures paid by borrowings on long-term debt	$ 626,019	$ —

See accompanying notes to the consolidated financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Defiance Integrated Technologies, Inc. (the "Company") and its wholly-owned subsidiaries Defiance Stamping Company and Pro Shear Corporation. All intercompany accounts and transactions have been eliminated.

General: The Defiance Stamping Company manufactures stamped metal products at its Defiance, Ohio facility primarily for customers in the heavy truck and automotive industry. Pro Shear Corporation at its Fort Wayne, Indiana facility manufactures and assembles components used in cars and trucks.

Revenue Recognition: Revenue is recognized upon shipment of product. Surcharges assessed on raw material price increases are recorded when earned.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are considered to be share based compensation, reserves related to uncollectible accounts receivable, inventory and carrying values of goodwill and other intangible assets.

Accounts Receivable, trade: The Company sells to customers using credit terms customary in its industry. Sales to customers are recorded upon shipment of goods. Interest is not normally charged on outstanding receivables. Based principally on historical losses, aging from invoice dates, and prevailing economic conditions, the Company reduces recorded receivables to their estimated net realizable value by a valuation allowance.

Inventories: Inventories are stated at the lower of cost, first-in, first-out (FIFO) method or market.

Property, Plant and Equipment: Depreciation is provided using the straight-line method over the estimated useful lives of the respective acquired assets. Costs and related accumulated depreciation are removed from the accounts for assets retired from service and a gain or loss on disposition is recorded in income when realized. Depreciation expense for 2014 and 2013 was $672,440 and $601,806, respectively.

The Company annually, or as required, evaluates the recoverability of its long-lived assets, primarily property, plant and equipment. The Company evaluates recoverability when events and circumstances indicate that the net carrying value of its long-lived assets may not be recoverable. There were no such impairments in 2014 and 2013.

Goodwill: Goodwill is recorded at cost and is assessed at least annually for impairment with any such impairment recognized in the current results of operations. The Company reviewed the carrying value of goodwill during fiscal 2014 and 2013 and determined no impairment exists.

(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Intangible Assets: The Company assessed the value of intangible assets at the time the Company was organized. Intangible assets having a finite life are amortized by the straight-line method over the estimated benefit period (customer relationships – 180 months). To be in conformity with Generally Accepted Accounting Principles (GAAP), non-amortizable intangible assets are required to be assessed at least annually for impairment.

	2014		2013	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Un-amortized intangibles				
Unpatented technology	$ 5,120,000	N/A	$ 5,120,000	N/A
Amortized intangibles				
Non-compete agreement	$ 40,000	$ (12,500)	$ 40,000	$ (2,500)
Customer relationships	321,656	$ (105,432)	321,656	$ (83,989)
	$ 5,481,656	$ (117,932)	$ 5,481,656	$ (86,489)
Net intangible assets		$5,363,724		$5,395,167

Other intangible assets include the unpatented technology production process of heavy duty truck axle nuts and washers, customer relationships, and a non-compete agreement. The unpatented technology production process has an indefinite life and is evaluated each year for impairment. The customer relationship intangible asset was acquired in 2010 as part of the purchase of Specialty Engine of America, Inc. Estimated amortization expense for the customer relationships intangible will approximate $21,400 each of the next five years. The non-compete asset includes agreements with 2 key employees acquired as part of the purchase of JBM Tool & Die. Each agreement is amortized using the straight-line method over the 2 year benefit period when triggered by the respective employees no longer being employed by the Company. One of the employees departed the company in 2013, therefore amortization expense for the non-compete agreement was $10,000 in 2014 and $2,500 in 2013.

Income Tax and Uncertain Tax Positions: The Company operates as a C Corporation for income tax purposes. Accordingly, deferred income tax assets and liabilities are computed based upon differences between the financial statements and tax basis of assets and liabilities that result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

The Company follows guidance issued by the Financial Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Management is not aware of any uncertain tax positions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company is subject to U.S. federal income tax, as well as various state income taxes. The Company is no longer subject to examination by taxing authorities for years before 2011. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2014 and 2013.

Capital Structure: The Company's equity structure consists of 50,000 duly authorized shares of common stock, $.01 par value per share, with 20,316 issued and outstanding and 4,750 duly authorized and issued shares of Preferred A Stock, $.01 par value per share at December 31, 2014 and 2013, respectively. The Preferred A Stock is convertible into common stock based on certain conditional provisions set forth in the amended articles of incorporation of the Company.

The holders of shares of Preferred A Stock shall be entitled to be paid in preference to the holders of any and all other classes of capital stock of the Company, out of funds legally available therefore, when and as declared by the board of directors. Dividends are cumulative at a rate of 6% per annum, compounded quarterly. The liquidation preference at December 31, 2014 and 2013 was $345,290 and $325,326, respectively (includes $95,290 and $75,326, respectively, of dividends in arrears).

In the event of any liquidation or dissolution of the Company, the holders of Preferred A Stock will receive amounts in accordance with the provisions set forth in the amended articles of incorporation of the Company, before any distributions are made to holders of any other then-outstanding series of common stock. Any remaining net assets will be distributed to holders of common stock.

Stock Based Compensation: The Company recognizes compensation expense in the consolidated financial statements for awards of equity instruments to employees based on the grant-date fair value of those awards, estimated in accordance with provisions of Accounting Standards Codification (ASC) 718. In 2013, an employee did not exercise their awarded stock options in accordance with the agreement following termination of employment. This resulted in a reversal of the unvested portion of compensation expense. Stock based compensation expense (income) for 2014 and 2013 approximated $18,000 and ($35,276), respectively, and is recorded in share based compensation on the consolidated income statement and recorded as additional paid-in capital on the consolidated balance sheets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2014. Management has performed their analysis through March 24, 2015, the date the financial statements were available to be issued.

NOTE 2—INVENTORIES

Inventories consisted of the following at December 31, 2014 and 2013:

	2014	2013
Raw materials	$1,079,423	$ 916,152
Work in process	1,029,294	705,819
Finished goods	690,565	540,411
	$2,799,282	$2,162,382

NOTE 3—LEASE COMMITMENTS

The Company leases manufacturing and office facilities, and certain pieces of equipment under several operating leases. Rent expense for the year ending December 31, 2014 and 2013 approximated $580,000 and $502,000, respectively. Total minimum rentals under non-cancellable operating leases as of December 31, 2014 over future fiscal years are approximately:

2015	$ 817,900
2016	846,000
2017	819,500
2018	598,400
2019	503,600
Thereafter	2,286,300
	$5,871,700

NOTE 4—BANK LINE OF CREDIT

The Company has a revolving line of credit that is subject to a borrowing base calculation and bears interest at the 30 day LIBOR rate plus 2.50% (effective rate of 2.66% at December 31, 2014 and 2013) and is due in June 2015. The Company had outstanding borrowings of $0 at December 31, 2014 and 2013. This agreement is collateralized by all the assets of the Company.

In accordance with the terms of the line of credit agreements, the Company must, among other things, maintain certain levels of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), Debt to New Worth, Leverage, Debt Service and Debt to EBITDA ratio performance. The Company was in compliance with its covenants at December 31, 2014 and 2013.

(Continued)

NOTE 5—LONG-TERM DEBT

Long-term debt at December 31, 2014 and 2013 consists of the following:

	2014	2013
Note payable to the Company's majority equity holder, due in quarterly principal installments of $80,000 commencing on October 1, 2010. Interest is computed at the higher of one-month LIBOR plus 8% or at 11% (11% effective rate at December 31, 2014 and 2013). All remaining outstanding principal under this note is due on April 15, 2016. The total note is in the amount of $8,500,000. The Company may borrow up to the full amount of the note at the sole discretion of the lender. The note payable is secured by all assets of the Company. The lender is subordinated to the collateral position of the bank with the term loan below and Revolving Credit Facility.	$6,464,623	$6,784,623
Note payable, due in monthly principal installments of $16,667 commencing on April 15, 2012. Interest is computed at 30 day LIBOR rate plus 2.50% for an effective rate of 2.66% at December 31, 2014 and 2013. All remaining principal under this note is due March 15, 2017. The total note is in the amount of $1,000,000. The note payable is secured by all assets of the Company.	450,000	650,000
Note payable, due in monthly installments of $2,071 commencing on August 1, 2014. Interest is computed at a rate of 3.89%. All remaining principal under this note is due July 1, 2019. The total note is in the amount of $112,500. The note is secured by all assets of the Company.	103,968	—
Note payable, due in monthly installments of $7,544 commencing on January 1, 2015. Interest is computed at a rate of 3.75%. All remaining principal under this note is due December 1, 2019. The total note is in the amount of $409,570. The note is secured by all assets of the Company.	409,570	—
Note payable, due in monthly installments of $1,914 commencing on March 1, 2015. Interest is computed at a rate of Prime minus 0.25% until the date of commencement, at which time the rate will become fixed at 2.75% over the index (effective rate of 4.12% at December 31, 2014). All remaining outstanding principal under this note is due February 1, 2020. The note is in the amount of $103,949. The note payable is secured by all assets of the Company.	103,949	—
	7,532,110	7,434,623
Less, current maturities	(633,333)	(520,000)
	$6,898,777	$6,914,623

The aggregate maturities of long-term debt as of December 31, 2014 are:

2015	$ 633,333
2016	6,465,599
2017	175,770
2018	130,711
2019	122,888
Thereafter	3,809
	$7,532,110

NOTE 6—EMPLOYEE BENEFIT PLANS

The Company maintains 401(k) plans covering all full-time employees. The Company matches employee's contributions up to the first 4% contributed by the employee. The Company may also make a discretionary bonus contribution to the plan. During 2014 and 2013, the Company did not make a bonus contribution.

For the years ended December 31, 2014 and 2013, total contribution for the plans approximated $139,500 and $141,600.

NOTE 7—SIGNIFICANT CUSTOMERS

For the years ended December 31, 2014 and 2013 three and two customers exceeded 10% of sales and accounts receivable, respectively.

	2014	% of total	2013	% of total
Sales	$10,902,582	35.81%	$7,623,039	31.66%
Accounts Receivable	$ 1,613,173	44.46%	$1,095,524	37.76%

NOTE 8—INCOME TAXES

Income tax provision consists of the following:

	2014	2013
Federal		
Current	$358,196	$338,853
Deferred	526,000	76,472
State		
Current	49,488	18,000
Provision for income taxes	$933,684	$433,325

(Continued)

NOTE 8—INCOME TAXES (Continued)

The difference between the effective tax rate and the federal statutory tax rate of 34% is primarily due to prior year true up of deferred tax liability.

	2014	2013
Non current deferred tax assets	$ 430,269	$ 341,395
Non current deferred tax liabilities	(2,713,269)	(2,098,395)
Net deferred balance	$(2,283,000)	$(1,757,000)

The principal sources of deferred tax liabilities are attributable to differences between income tax and financial reporting methods used in recording depreciation, amortization, debt restructuring, and certain accrued liabilities. The deferred tax assets are primarily attributable to transaction costs being amortized for tax purposes and various inventory and accounts receivable reserves.

NOTE 9—STOCK OPTIONS

In July 2009, the Company adopted the 2009 Stock Incentive Plan. The Plan permits the grant of 4,967 various stock awards to purchase shares of common stock of the Company to approved key employees.

During 2011 ("date of grant"), 892 stock options ("options") were granted to a key employee. The options vested over 3 years in equal yearly installments on the anniversary date of the date of grant until the employee terminated employment on January 21, 2013. The employee did not exercise the options within 60 days of cessation of employment, therefore in accordance with the agreement the options expired in 2013.

On August 19, 2013, a total of 524 stock options were granted to two employees. The options become exercisable in equal yearly installments on the anniversary date of each of the three years following the date of grant. The options expire in ten years from the date of grant.

The fair value of each option award is estimated on the date of grant using a Black Scholes option valuation model that uses the assumptions noted in the table below. Expected volatilities are based on comparisons with similar companies. The expected term of the options are based on the exercisable period. The Company uses historical data to estimate employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The remaining weighted average life on the stock options approximates 8.50 years.

	2013
Assumptions used for issuance of stock options:	
Expected volatility	39%
Expected dividends	0%
Expected term	10 years
Risk-free rate	2.74%

NOTE 9—STOCK OPTIONS (Continued)

A summary of option activity under the Plan as of December 31, 2014 and 2013:

Options	2014 Shares	2014 Weighted-Average Exercise Price	2013 Shares	2013 Weighted-Average Exercise Price
Outstanding, beginning of year	524	$ 195.78	892	$ 324.18
Granted	—	—	524	195.78
Exercised	—	—	—	—
Forfeited or expired	—	—	(892)	(324.18)
Outstanding, end of year	524	$ 195.78	524	$ 195.78

A summary of the status of the Company's options as of December 31, 2014 and 2013, and changes during the years ended are presented below:

Options	2014 Shares	2014 Weighted-Average Grant-Date Fair Value	2013 Shares	2013 Weighted-Average Grant-Date Fair Value
Nonvested, beginning of year	524	$ 104.06	595	$ 257.64
Granted	—	—	524	104.06
Vested	(174)	(104.06)	—	—
Forfeited	—	—	(595)	(257.64)
Nonvested, end of year	350	$ 104.06	524	$ 104.06

As of December 31, 2014 and 2013, there was approximately $28,500 and $46,500, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. This expense will be recognized over the next two years. In accordance with ASC 718, due to the fact that the options vest with time, the Company has recognized approximately $18,000 and ($35,275) of compensation expense as of December 31, 2014 and 2013, respectively, related to options that the employee has earned.

Exhibit 2.s.5

DEFIANCE INTEGRATED TECHNOLOGIES, INC

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012
(audited)

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
Defiance, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

CONTENTS

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Defiance Integrated Technologies, Inc.
Defiance, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Defiance Integrated Technologies, Inc., which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Defiance Integrated Technologies, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Fort Wayne, Indiana
March 25, 2014

CONSOLIDATED FINANCIAL STATEMENTS

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash in bank	$ 487,392	$ 10,317
Accounts receivable, trade net of allowance for doubtful accounts: 2013 - $24,000; 2012 - $56,764	2,900,899	3,111,294
Accounts receivable, other	207,785	192,907
Inventories	2,162,382	2,289,280
Prepaid expenses	56,601	107,395
Total current assets	5,815,059	5,711,193
Property, plant and equipment		
Land	300,250	300,250
Construction in process	61,991	6,901
Machinery and equipment	5,983,777	5,746,786
	6,346,018	6,053,937
Less accumulated depreciation	1,969,349	1,389,222
	4,376,669	4,664,715
Goodwill	1,150,266	1,150,266
Customer relationships, net	237,667	259,111
Unpatented technology	5,120,000	5,120,000
Non-compete agreement, net	37,500	40,000
Total assets	$ 16,737,161	$ 16,945,285

See accompanying notes to consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
LIABILITIES		
Current liabilities		
Bank overdraft	$ 14,717	$ 235,347
Accounts payable	1,071,610	1,077,693
Accrued expenses	971,493	276,651
Revolving credit facility	—	1,187,174
Current maturities of long-term debt	520,000	537,266
Total current liabilities	2,577,820	3,314,131
Long-term debt, less current maturities	6,914,623	7,434,623
Deferred tax liability	1,757,000	1,680,528
Total liabilities	11,249,443	12,429,282
SHAREHOLDERS' EQUITY		
Preferred stock (4,750 shares authorized, issued and outstanding with $.01 par value, $325,326 and $307,329 liquidation preference at December 31, 2013 and 2012, respectively)	48	48
Common stock (50,000 shares authorized with $.01 par value, issued and outstanding 20,316 shares at December 31, 2013 and 2012)	203	203
Additional paid in capital	647,508	682,784
Retained earnings	4,839,959	3,832,968
Total shareholders' equity	5,487,718	4,516,003
Total liabilities and shareholders' equity	$ 16,737,161	$ 16,945,285

See accompanying notes to consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Years ended December 31, 2013 and 2012

	2013	2012
Net sales	$24,075,377	$25,381,270
Cost of sales	19,237,081	20,652,220
Gross profit	4,838,296	4,729,050
Selling, general and administrative expenses	2,414,993	2,319,014
Share based compensation	(35,276)	76,700
Income before other expenses	2,458,579	2,333,336
Other expenses		
Other expense	204,462	32,094
Interest expense	813,801	912,705
Total other expense	1,018,263	944,799
Income before provision for income taxes	1,440,316	1,388,537
Provision for income taxes	433,325	452,377
Net income	1,006,991	936,160
Retained earnings, beginning of period	3,832,968	2,896,808
Retained earnings, end of period	$ 4,839,959	$ 3,832,968

See accompanying notes to consolidated financial statements.

DEFIANCE INTEGRATED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net income	$ 1,006,991	$ 936,160
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	625,750	541,653
Loss on asset disposal	15,514	—
Share based compensation	(35,276)	76,700
Deferred taxes	76,472	301,001
Changes in current assets and liabilities		
Inventories	126,898	(19,854)
Accounts receivable	195,517	(12,682)
Prepaid expenses	50,794	(59,511)
Accounts payable and accrued expenses	688,759	(1,170,384)
Net cash provided by operating activities	2,751,419	593,083
Cash flows from investing activities		
Capital expenditures	(339,693)	(901,217)
Proceeds from asset disposal	10,419	—
Net cash used for inventing activities	(329,274)	(901,217)
Cash flows from financing activities		
Checks written in excess of bank balance	(220,630)	(22,604)
Payments on revolving credit facility	(6,915,173)	(12,653,892)
Borrowings on revolving credit facility	5,727,999	13,410,547
Payments on long-term debt	(217,266)	(1,128,200)
Borrowings on long-term debt	—	1,017,266
Payments on subordinated debt	(320,000)	(320,000)
Net cash provided by (used for) financing activities	(1,945,070)	303,117
Net change in cash	477,075	(5,017)
Cash, beginning of period	10,317	15,334
Cash, end of period	**$ 487,392**	**$ 10,317**
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 818,113	$ 921,208
Cash paid for income taxes	$ 36,966	$ 813,821

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Defiance Integrated Technologies, Inc. (the "Company") and its wholly-owned subsidiaries Defiance Stamping Company and Pro Shear Corporation. All intercompany accounts and transactions have been eliminated.

General: The Defiance Stamping Company manufactures stamped metal products at its Defiance, Ohio facility for customers located primarily in the Midwest. Pro Shear Corporation at its Fort Wayne, Indiana facility manufactures and assembles components used in cars and trucks for customers in the Midwest and external medical devices primarily used in the orthopedic industry throughout the United States.

Revenue Recognition: Revenue is recognized upon shipment of product. Surcharges assessed on raw material price increases are recorded when earned.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are considered to be share based compensation, reserves related to uncollectible accounts receivable, inventory and carrying values of goodwill and other intangible assets.

Accounts Receivable, trade: The Company sells to customers using credit terms customary in its industry. Sales to customers are recorded upon shipment of goods. Interest is not normally charged on outstanding receivables. Based principally on historical losses, aging from invoice dates, and prevailing economic conditions, the Company reduces recorded receivables to their estimated net realizable value by a valuation allowance.

Inventories: Inventories are stated at the lower of cost, first-in, first-out (FIFO) method or market.

Property, Plant and Equipment: Depreciation is provided using the straight-line method over the estimated useful lives of the respective acquired assets. Costs and related accumulated depreciation are removed from the accounts for assets retired from service and a gain or loss on disposition is recorded in income when realized. Depreciation expense for 2013 and 2012 was $601,806 and $520,209, respectively.

The Company annually, or as required, evaluates the recoverability of its long-lived assets, primarily property, plant and equipment. The Company evaluates recoverability when events and circumstances indicate that the net carrying value of its long-lived assets may not be recoverable. There were no such impairments in 2013 and 2012.

Goodwill: Goodwill is recorded at cost and is assessed at least annually for impairment with any such impairment recognized in the current results of operations. The Company reviewed the carrying value of goodwill during fiscal 2013 and 2012 and determined no impairment exists.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Intangible Assets: The Company assessed the value of intangible assets at the time the Company was organized. Intangible assets having a finite life are amortized by the straight-line method over the estimated benefit period (customer relationships – 180 months). To be in conformity with Generally Accepted Accounting Principles (GAAP), non-amortizable intangible assets are required to be assessed at least annually for impairment. The Company adopted Accounting Standards Update 2012-02. Intangibles – Goodwill and Other, Testing Indefinite-Lived Intangible Assets for impairment, during 2012 which allows for a qualitative assessment of impairment on indefinite-lived intangible assets. If, after this qualitative assessment, we determine that it is not more likely than not that an indefinite lived intangible asset has been impaired, then no further quantitative testing is necessary.

	2013		2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Un-amortized intangibles				
Unpatented technology	$5,120,000	N/A	$5,120,000	N/A
Amortized intangibles				
Non-compete agreement	$ 40,000	$ (2,500)	$ 40,000	$ —
Customer relationships	321,656	$ (83,989)	321,656	$ (62,545)
	$5,481,656	$ (86,489)	$5,481,656	$ (62,545)
Net intangible assets		$5,395,167		$5,419,111

Other intangible assets include the unpatented technology production process of heavy duty truck axle nuts and washers, customer relationships, and a non-compete agreement. The unpatented technology production process has an indefinite life and is evaluated each year for impairment. The customer relationship intangible asset was acquired in 2010 as part of the purchase of Specialty Engine of America, Inc. Estimated amortization expense for the customer relationships intangible will approximate $21,400 each of the next five years. The non-compete asset includes agreements with 2 key employees acquired as part of the purchase of JBM Tool & Die. Each agreement is amortized using the straight-line method over the 2 year benefit period when triggered by the respective employees no longer being employed by the Company. One of the employees departed the company in 2013, therefore amortization expense for the non-compete agreement was $2,500 in 2013 and $0 in 2012.

Income Tax and Uncertain Tax Positions: The Company operates as a C Corporation for income tax purposes. Accordingly, deferred income tax assets and liabilities are computed based upon differences between the financial statements and tax basis of assets and liabilities that result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

The Company follows guidance issued by the Finanical Accounting Standards Board (FASB) with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management is not aware of any uncertain tax positions.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company is subject to U.S. federal income tax, as well as various state income taxes. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2013 and 2012.

Capital Structure: The Company's equity structure consists of 50,000 duly authorized shares of common stock, $.01 par value per share, with 20,316 issued and outstanding and 4,750 duly authorized and issued shares of Preferred A Stock, $.01 par value per share at December 31, 2013 and 2012, respectively. The Preferred A Stock is convertible into common stock based on certain conditional provisions set forth in the amended articles of incorporation of the Company.

The holders of shares of Preferred A Stock shall be entitled to be paid in preference to the holders of any and all other classes of capital stock of the Company, out of funds legally available therefore, when and as declared by the board of directors. Dividends are cumulative at a rate of 6% per annum, compounded quarterly. The liquidation preference at December 31, 2013 and 2012 was $325,326 and $307,329, respectively (includes $75,326 and $57,329, respectively, of dividends in arrears).

In the event of any liquidation or dissolution of the Company, the holders of Preferred A Stock will receive amounts in accordance with the provisions set forth in the amended articles of incorporation of the Company, before any distributions are made to holders of any other then-outstanding series of common stock. Any remaining net assets will be distributed to holders of common stock.

Stock Based Compensation: The Company recognizes compensation expense in the consolidated financial statements for awards of equity instruments to employees based on the grant-date fair value of those awards, estimated in accordance with provisions of Accounting Standards Codification (ASC) 718. In 2013, an employee did not exercise their awarded stock options in accordance with the agreement following termination of employment. This resulted in a reversal of the unvested portion of compensation expense. Stock based compensation expense (income) for 2013 and 2012 approximated ($35,276) and $76,700, respectively, and is recorded in share based compensation on the consolidated income statement and recorded as additional paid-in capital on the consolidated balance sheets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2013. Management has performed their analysis through March 25, 2014, the date the financial statements were available to be issued.

NOTE 2 – INVENTORIES

Inventories consisted of the following at December 31, 2013 and 2012:

	2013	2012
Raw materials	$ 916,152	$1,074,227
Work in process	705,819	680,534
Finished goods	540,411	534,519
	$2,162,382	$2,289,280

(Continued)

NOTE 3 – LEASE COMMITMENTS

The Company leases manufacturing and office facilities, and certain pieces of equipment under several operating leases. Rent expense for the year ending December 31, 2013 and 2012 approximated $502,000 and $388,600, respectively. Total minimum rentals under non-cancellable operating leases as of December 31, 2013 over future fiscal years are approximately:

2014	$ 381,900
2015	290,100
2016	248,700
2017	238,300
2018	26,300
	$1,185,300

NOTE 4 – BANK LINE OF CREDIT

The Company had a financing agreement in place which provided for a revolving line of credit up to $2,750,000. The borrowings were subject to interest at either the one-month LIBOR rate or a prime based rate, as selected by the Company from time to time subject to the terms and conditions of the agreement. This line was collateralized by all the assets of the Company. This credit facility was set to expire in June 2012.

During February 2012, the Company entered into a new credit agreement with a different commercial lender. The credit agreement provides for a revolving line of credit of up to $3,000,000 and term notes (Note 5). The Company used the proceeds to pay off the outstanding balances on their existing commercial revolving line of credit and bank notes which were due in September 2013 and March 2016.

The new revolving line of credit is subject to a borrowing base calculation and bears interest at the 30 day LIBOR rate plus 2.50% (effective rate of 2.66% and 2.72% at December 31, 2013 and 2012, respectively) and is due in June 2014. The Company had outstanding borrowings of $0 and $1,187,174 at December 31, 2013 and 2012, respectively. This agreement is collateralized by all the assets of the Company.

In accordance with the terms of the line of credit agreements, the Company must, among other things, maintain certain levels of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), Debt to New Worth, Leverage, Debt Service and Debt to EBITDA ratio performance. The Company was in compliance with its covenants at December 31, 2013 and 2012.

(Continued)

NOTE 5 - LONG-TERM DEBT

Long-term debt at December 31, 2013 and 2012 consists of the following:

	2013	2012
Note payable to the Company's majority equity holder, due in quarterly principal installments of $80,000 commencing on October 1, 2010. Interest is computed at the higher of one-month LIBOR plus 8% or at 11% (11% effective rate at December 31, 2013 and 2012). All remaining outstanding principal under this note is due on April 15, 2016. The total note is in the amount of $8,500,000. The Company may borrow up to the full amount of the note at the sole discretion of the lender. The note payable is secured by all assets of the Company. The lender is subordinated to the collateral position of the bank with the term loan below and Revolving Credit Facility.	$6,784,623	$7,104,623
Note payable, due in monthly principal installments of $16,667 commencing on April 15, 2012. Interest is computed at 30 day LIBOR rate plus 2.50% for an effective rate of 2.66% and 2.72% at December 31, 2013 and 2012, respectively. All remaining principal under this note is due March 15, 2017. The total note is in the amount of $1,000,000. The note payable is secured by all assets of the Company.	650,000	850,000
Capital lease for a thread verification machine, payable to New Vista Corporation in monthly installments of $1,509, including interest computed at a 5% rate. Lease commences in December 2012 and ends in December 2013.	—	17,266
	7,434,623	7,971,889
Less, current maturities	(520,000)	(537,266)
	$6,914,623	$7,434,623

The aggregate maturities of long-term debt as of December 31, 2013 are:

2014	$ 520,000
2015	520,000
2016	6,344,623
2017	50,000
	$7,434,623

(Continued)

NOTE 6 - EMPLOYEE BENEFIT PLANS

The Company maintains 401(k) plans covering all full-time employees. The Company matches employee's contributions up to the first 4% contributed by the employee. The Company may also make a discretionary bonus contribution to the plan. During 2013 and 2012, the Company did not make a bonus contribution.

For the years ended December 31, 2013 and 2012, total contribution for the plans approximated $141,600 and $128,900.

NOTE 7 – SIGNIFICANT CUSTOMERS

For the years ended December 31, 2013 and 2012 two and three customers exceeded 10% of sales and accounts receivable, respectively.

	2013	% of total	2012	% of total
Sales	$7,623,039	31.66%	$10,924,411	43.04%
Accounts Receivable	$1,095,524	37.76%	$ 1,679,446	53.98%

NOTE 8 - INCOME TAXES

Income tax provision consists of the following:

	2013	2012
Federal		
Current	$338,853	$143,004
Deferred	76,472	301,001
State		
Current	18,000	8,372
Provision for income taxes	$433,325	$452,377

(Continued)

NOTE 8 – INCOME TAXES (Continued)

The difference between the effective tax rate and the federal statutory tax rate of 34% is primarily due to prior year true up of deferred tax liability of approximately $90,000, stock options tax of approximately $27,000 and state and local income taxes.

	2013	2012
Non current deferred tax assets	$ 341,395	$ 261,853
Non current deferred tax liabilities	(2,098,395)	(1,942,381)
Net deferred balance	$(1,757,000)	$(1,680,528)

The principal sources of deferred tax liabilities are attributable to differences between income tax and financial reporting methods used in recording depreciation, amortization and certain accrued liabilities. The deferred tax assets are primarily attributable to transaction costs being amortized for tax purposes and various inventory and accounts receivable reserves.

In addition, in 2010 the Company realized a gain on debt restructuring. The Company elected for income tax purposes to defer reporting this gain until later years and then ratably over a five year period. The tax on this gain has been recognized as a deferred tax liability.

NOTE 9 - STOCK OPTIONS

In July 2009, the Company adopted the 2009 Stock Incentive Plan. The Plan permits the grant of 4,967 various stock awards to purchase shares of common stock of the Company to approved key employees.

During 2011 ("date of grant"), 892 stock options ("options") were granted to a key employee. The options vested over 3 years in equal yearly installments on the anniversary date of the date of grant until the employee terminated employment on January 21, 2013. The employee did not exercise the options within 60 days of cessation of employment, therefore in accordance with the agreement the options expired in 2013.

On August 19, 2013, a total of 524 stock options were granted to two employees. The options become exercisable in equal yearly installments on the anniversary date of each of the three years following the date of grant. The options expire in ten years from the date of grant.

The fair value of each option award is estimated on the date of grant using a Black Scholes option valuation model that uses the assumptions noted in the table below. Expected volatilities are based on comparisons with similar companies. The expected term of the options are based on the exercisable period. The Company uses historical data to estimate employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The remaining weighted average life on the stock options approximates 9.50 years.

(Continued)

NOTE 9 - STOCK OPTIONS (Continued)

	2013
Assumptions used for issuance of stock options:	
Expected volatility	39%
Expected dividends	0%
Expected term	10 years
Risk-free rate	2.74%

A summary of option activity under the Plan as of December 31, 2013 and 2012:

	2013		2012	
Options	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year	892	$ 324.18	892	$ 324.18
Granted	524	195.78	—	—
Excerised	—	—	—	—
Forfeited or expired	(892)	(324.18)	—	—
Outstanding, end of year	524	$ 195.78	892	$ 324.18

A summary of the status of the Company's options as of December 31, 2013 and 2012, and changes during the years ended are presented below:

	2013		2012	
Options	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, beginning of year	595	$ 257.64	892	$ 257.64
Granted	524	104.06	—	—
Vested	—	—	297	257.64
Expired	(595)	(257.64)	—	—
Nonvested, end of year	524	$ 104.06	595	$ 257.64

As of December 31, 2013 and 2012, there was approximately $46,500 and $110,600, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. This expense will be recognized over the next three years. In accordance with ASC 718, due to the fact that the options vest with time, the Company has recognized approximately ($35,276) and $76,700 of compensation expense (income) as of December 31, 2013 and 2012, respectively, related to options that the employee has earned.

Exhibit 2.s.6

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (audited)

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Stockholders
Midwest Metal Distribution, Inc.
Clinton, Ohio

We have audited the accompanying consolidated balance sheets of Midwest Metal Distribution, Inc. and Subsidiaries (collectively, the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midwest Metal Distribution, Inc. and Subsidiaries as of December 31, 2013 and 2012 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Notes D and N to the consolidated financial statements, the Company is in default on certain covenants of its loan agreements at December 31, 2013, primarily as a result of a net loss of $2,194,554 incurred in 2013. The lenders may demand repayment of the loans. No such demand has been made. Negotiations are presently under way to obtain revised loan agreements to permit the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company cannot predict what the outcome of the negotiations will be. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ SS&G, Inc.
SS&G, Inc.

October 3, 2014

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	**$ 1,184,588**	$ 420,525
Accounts receivable, net of allowance of $158,789 and $216,304 as of December 31, 2013 and 2012, respectively	**10,087,356**	11,170,248
Inventory	**16,194,803**	17,469,230
Prepaid expenses and other current assets	**922,468**	851,662
Deferred income taxes	**—**	291,482
	28,389,215	30,203,147
PROPERTY, PLANT, AND EQUIPMENT, net	**7,227,559**	7,568,837
OTHER ASSETS		
Deferred rent	**56,807**	102,940
Intangible assets, net	**296,710**	584,334
	353,517	687,274
TOTAL ASSETS	**$35,970,291**	$ 38,459,258

See accompanying notes to consolidated financial statements.

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, CONTINUED

	DECEMBER 31,	
	2013	2012
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 18,293,000**	$ 132,233
Line of credit	**19,398,859**	19,397,630
Accounts payable	**6,053,109**	8,265,504
Accrued expenses	**1,155,879**	1,326,456
Deferred income taxes	**59,712**	—
	44,960,559	29,121,823
LONG-TERM DEBT, net of current portion	**48,000**	18,341,000
DEFERRED INCOME TAXES	**237,636**	252,783
TOTAL LIABILITIES	**45,246,195**	47,715,606
STOCKHOLDERS' DEFICIT		
Preferred stock series A, par value $0.01, 25,000 shares authorized, 2,175 shares issued and outstanding as of December 31, 2013 (liquidation preference of $2,273,490)	**22**	—
Common stock, par value $0.01, 75,000 shares authorized, 850 and 870 shares issued and outstanding as of December 31, 2013 and 2012, respectively	**9**	9
Additional paid-in capital	**2,175,054**	78
Accumulated deficit	**(11,450,989)**	(9,256,435)
TOTAL STOCKHOLDERS' DEFICIT	**(9,275,904)**	(9,256,348)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 35,970,291**	$38,459,258

See accompanying notes to consolidated financial statements.

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

	FOR THE YEARS ENDED DECEMBER 31,			
	2013	**%**	2012	%
NET SALES	**$101,210,550**	**100.0**	$ 104,094,820	100.0
COST OF GOODS SOLD	**93,345,189**	**92.2**	95,558,080	91.8
GROSS PROFIT	**7,865,361**	**7.8**	8,536,740	8.2
OPERATING EXPENSES				
Selling, general and administrative	**6,781,843**	**6.7**	6,838,821	6.6
Goodwill impairment	**—**	**—**	9,701,535	9.3
	6,781,843	**6.7**	16,540,356	15.9
OPERATING INCOME (LOSS)	**1,084,518**	**1.1**	(8,003,616)	(7.7)
OTHER INCOME (EXPENSE)				
Interest expense, net	**(3,026,109)**	**(3.0)**	(2,989,126)	(2.9)
Foreign currency exchange loss	**(60,300)**	**(0.1)**	(47,783)	—
Miscellaneous	**144,384**	**0.2**	10,318	—
	(2,942,025)	**(2.9)**	(3,026,591)	(2.9)
LOSS BEFORE INCOME TAXES	**(1,858,507)**	**(1.8)**	(11,030,207)	(10.6)
INCOME TAX (EXPENSE) BENEFIT	**(336,047)**	**(0.3)**	407,100	0.4
NET LOSS	**$ (2,194,554)**	**(2.2)**	$ (10,623,097)	(10.2)

See accompanying notes to consolidated financial statements.

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' (Deficit) Equity
	Units	Amount	Units	Amount			
BALANCE, January 1, 2012	—	$ —	800	$ 8	$ 72	$ 1,366,662	$ 1,366,742
Exercise of restricted stock	—	—	70	1	6	—	7
Net loss	—	—	—	—	—	(10,623,097)	(10,623,097)
BALANCE, December 31, 2012	—	—	870	9	78	(9,256,435)	(9,256,348)
Forfeiture of restricted stock	**—**	**—**	**(20)**	**—**	**(2)**	**—**	**(2)**
Issuance of preferred stock	**2,175**	**22**	**—**	**—**	**2,174,978**	**—**	**2,175,000**
Net loss	**—**	**—**	**—**	**—**	**—**	**(2,194,554)**	**(2,194,554)**
BALANCE, December 31, 2013	**2,175**	**$ 22**	**850**	**$ 9**	**$2,175,054**	**$(11,450,989)**	**$ (9,275,904)**

See accompanying notes to consolidated financial statements.

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (2,194,554)**	$ (10,623,097)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	**1,046,124**	996,219
Loss on disposal of property and equipment	**7,380**	33,176
Bad debt (recovery) expense	**(904)**	85,647
Impairment of goodwill	—	9,701,535
Forgiveness of debt	—	(12,000)
Deferred rent	**46,133**	86,475
Deferred income taxes	**336,047**	(374,271)
Changes in operating assets and liabilities		
Accounts receivable	**1,083,796**	1,442,739
Inventory	**1,274,427**	(1,444,329)
Refundable income taxes	—	273,820
Prepaid expenses and other current assets	**(70,806)**	285,820
Accounts payable	**(2,212,395)**	522,201
Accrued expenses	**(170,577)**	92,590
Income taxes payable	—	(99,500)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	**(855,329)**	967,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(433,102)**	(1,101,502)
Purchase of intangible assets	—	(110,333)
Proceeds on sale of property and equipment	**8,500**	42,867
NET CASH USED IN INVESTING ACTIVITIES	**(424,602)**	(1,168,968)

See accompanying notes to consolidated financial statements.

MIDWEST METAL DISTRIBUTION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

	FOR THE YEARS ENDED DECEMBER 31, 2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under line of credit agreements	**$ 1,229**	$ 243,175
Interest rate swap	—	(21,421)
Repayments of long-term debt	**(132,233)**	(514,307)
Issuance of preferred stock	**2,175,000**	—
Payment for forfeited restricted stock	**(2)**	—
Proceeds from the exercising of restricted stock	—	7
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**2,043,994**	(292,546)
NET INCREASE (DECREASE) IN CASH	**764,063**	(494,489)
CASH, beginning of year	**420,525**	915,014
CASH, end of year	**$1,184,588**	$ 420,525
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid during the year for interest	**$2,948,549**	$3,017,941
Cash paid during the year for income taxes	**$ 336,047**	$ 143,018

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies

Nature of operations

The accompanying consolidated financial statements include the accounts of Midwest Metal Distribution, Inc. and its wholly-owned subsidiaries, Clinton Aluminum Acquisition, LLC (CAA) (inclusive of its wholly-owned subsidiary Clinton Aluminum U.S., LLC (US), which owns 100% of Clinton Aluminum Canada, ULC (Canada)), Clinton Distribution, LLC (CD), and Metal Transportation, LLC (MT), hereinafter collectively referred to as Midwest Metal or the Company.

CAA is a distributor and processor of aluminum and stainless steel sheet plate and bar products. CD owns the land, buildings, and warehouses used by the Company in both Wisconsin and Michigan. MT owns 37 delivery trucks and trailers used by the Company in its operations. US was formed to hold the assets of the Canadian distribution operations.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Midwest Metal Distribution, Inc., and its wholly-owned subsidiaries. Separate trial balances are not maintained for Canada, CD or MT. Accordingly, significant intra-entity transactions and balances have been eliminated in the consolidated financial statements.

Method of accounting

The Company maintains its accounting records under the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains its cash deposits with financial institutions. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time during the years ended December 31, 2013 and 2012, balances exceeded amounts insured by the FDIC. The Company has not experienced any losses and believes it is not exposed to a significant credit risk in this regard. The Company had four major suppliers that accounted for 64% and 61% of the Company's purchases for the years ended December 31, 2013 and 2012, respectively.

NOTE A – Summary of significant accounting policies, continued

Accounts receivable

The Company reports trade receivables at net realizable value. The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as selling, general, and administrative expense.

Property, plant, and equipment

Property and equipment are stated at cost. Depreciation and amortization have been provided in the consolidated financial statements using the straight-line method at rates based on reasonable estimates of useful lives, which are as follows for major asset classifications:

	Years
Buildings and improvements	40
Machinery and equipment	5 - 12
Vehicles	5 - 7
Furniture and fixtures	5

Goodwill

The Company accounts for goodwill and other intangible assets in accordance with Accounting Standards Codification 350,*Intangibles – Goodwill and Other* (ASC 350), which requires that goodwill and certain indefinite-lived assets not be amortized but that they be evaluated annually for impairment. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives.

The valuation performed by the Company during 2012 indicated that impairment of goodwill was likely since the fair market value of the reporting unit was below the book value of the business. The Company completed the second step of the impairment analysis, in accordance with ASC 350, and allocated the fair value to the existing assets and liabilities and determined that the entire remaining balance of goodwill was impaired. As a result, the Company recorded an impairment loss during 2012 of $9,701,535.

Long-lived assets

Intangible assets with estimable useful lives are required to be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC 360, *Property, Plant, and Equipment*. Long-lived assets are reviewed for impairment periodically or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When an evaluation is required, the projected future undiscounted cash flows are compared to the carrying value of the long-lived assets to determine if a write-down to fair value is required. No impairment losses were identified during the years ended December 31, 2013 and 2012.

NOTE A – Summary of significant accounting policies, continued

Intangible assets

Intangible assets include deferred financing costs, software and the customer list. Deferred financing costs represent costs paid in connection with obtaining long-term financing. These fees are amortized on a straight-line method over three to five years, which is the term of the related financing. Software is being amortized over three years and the customer list is being amortized over five years.

Finite-lived intangible assets at December 31, 2013 and 2012 were as follows:

	2013			2012		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Book Value**	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Deferred financing costs	**$ 309,736**	**$ (230,526)**	**$ 79,210**	$ 309,736	$ (154,569)	$155,167
Software	**400,000**	**(400,000)**	**—**	400,000	(333,333)	66,667
Customer list	**725,000**	**(507,500)**	**217,500**	725,000	(362,500)	362,500
	$ 1,434,736	**$(1,138,026)**	**$296,710**	$ 1,434,736	$ (850,402)	$584,334

Amortization expense related to these intangible assets amounted to $287,624 and $357,524 for the years ended December 31, 2013 and December 31, 2012, respectively. The amount of amortization expense related to these costs that the Company estimates will be recorded in each of the next two years is as follows:

Year ending December 31,	
2014	**$198,740**
2015	**97,970**
	$296,710

Revenue recognition

Revenue is recognized upon shipment of product, provided there are no uncertainties regarding acceptance, that there is persuasive evidence of an arrangement and that the sales price is fixed and determinable and collection of the related receivable is reasonably assured. Revenue is deferred and included in liabilities when the Company receives cash in advance for services not yet performed.

Taxes collected from customers

The Company collects sales tax from its customers on product sales that is remitted to various governmental authorities when due. The Company's policy is to record taxes collected from customers as a component of sales and the amount of taxes paid to governmental authorities as general and administrative expenses on its consolidated statement of income.

NOTE A – Summary of significant accounting policies, continued

Shipping and handling costs

Shipping and handling costs are included in cost of goods sold.

Advertising expenses

Advertising costs are expensed as incurred and amounted to $19,418 and $25,966 for the years ended December 31, 2013 and 2012, respectively.

Foreign currency translation

The U.S. Dollar is the functional currency of all of the Company's operations. For the Company's Canadian subsidiary, all foreign currency asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates, except for property, plant and equipment which is remeasured at historical rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts which are remeasured at historical exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur.

Reclassification

Certain December 31, 2012 items have been reclassified to conform with the presentation in the December 31, 2013 consolidated financial statements.

Events occurring after the reporting date

The Company has evaluated events and transactions that occurred between December 31, 2013 and October 3, 2014, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE B – Inventory

Inventories are valued at the lower of average cost or market and consisted of the following at December 31, 2013 and 2012. Inventories consisted of the following components as of December 31:

	2013	2012
Raw materials	**$16,092,756**	$17,391,739
Work-in-process	**102,047**	77,491
	$16,194,803	$17,469,230

NOTE C – Property, plant, and equipment

Property and equipment consisted of the following at December 31:

	2013	2012
Land and improvements	**$ 300,000**	$ 300,000
Buildings	**1,838,283**	1,838,283
Machinery and equipment	**5,723,389**	5,595,131
Vehicles	**1,107,028**	871,986
Furniture and office equipment	**350,479**	200,538
Leasehold improvements	**9,486**	9,486
Construction in progress	**—**	106,155
	9,328,665	8,921,579
Less: accumulated depreciation	**(2,101,106)**	(1,352,742)
	$ 7,227,559	$ 7,568,837

Depreciation expense for the years ended December 31, 2013 and 2012 was $758,500 and $638,694, respectively.

NOTE D – Line of credit

At December 31, 2013 and 2012, the Company had a revolving line of credit arrangement with PNC Bank, NA (PNC) with maximum available borrowings of $25,000,000. Borrowings under this arrangement are secured by accounts receivable, inventory, and property and equipment and contain certain restrictive financial covenants. As of December 31, 2013, the Company was in default of the PNC restrictive financial covenants (see Note N). The facility bears interest in accordance with a pricing grid based on the Company's fixed charge coverage ratio. The maximum interest rate charged per the grid is based on LIBOR plus 3.5% or the bank's alternative base rate plus 1.25% payable monthly in arrears. At December 31, 2013 and 2012, the actual interest rate charged on the amount outstanding on the line of credit was 4.50% and 4.00%, respectively. The interest rate charged is determined pursuant to the pricing grid, on a quarterly basis. The Company is also required to pay an unused facility fee monthly equal to a percentage (.375%) of the amount by which the revolving credit commitment exceeds the average daily amount outstanding on the line. The revolving credit facility expires on the earlier of December 30, 2017 or 90 days prior to the scheduled maturity date of the Mezzanine Debt. There was $19,398,859 and $19,397,630 outstanding on the revolving line of credit at December 31, 2013 and 2012, respectively.

NOTE E – Long-term debt

The Company's long-term debt consisted of the following at December 31:

	2013	2012
Term loan with PNC, monthly principal payments of $32,165 plus interest at 5.25% at December 31, 2012; secured by the Company's assets. Interest rate determined quarterly based on a pricing grid with a margin of 1.5% to 2.0% on the prime rate or from 3.75% to 4.25% on the LIBOR rate. This loan was paid in full during 2013.	**$ —**	$ 120,233
Term loan with the City of Janesville, Wisconsin (the City), bearing interest at 4.00% with 10 annual payments of $14,580 including interest; secured by a building. Annual interest and principal payments to be waived by the City provided the Company complies with minimum employment levels.	**60,000**	72,000
Note payable ("Mezzanine Debt") to majority stockholder, bearing interest at the greater of the LIBOR rate plus 8% or 12%. Interest only payments due monthly. Principal due at maturity on July 31, 2015. Note is secured by all the assets of the Company and is subordinate to the PNC debt. See Note N related to default on covenants.	**18,281,000**	18,281,000
	18,341,000	18,473,223
Less: current portion	**(18,293,000)**	(132,233)
	$ 48,000	$18,341,000

NOTE E – Long-term debt, continued

Aggregate maturities of long-term debt are as follows for the years ending:

December 31,	
2014	**$ 18,293,000**
2015	**12,000**
2016	**12,000**
2017	**12,000**
2018	**12,000**
	$18,341,000

Interest expense on debt totaled $3,026,109 and $2,989,126 for the years ended December 31, 2013 and 2012, respectively.

NOTE F – Equity

On July 23, 2013, the Company amended its certificate of incorporation to authorize 25,000 shares of Series A convertible preferred stock and 75,000 shares of common stock. During 2013, the majority stockholder purchased 2,175 shares of the Series A convertible preferred stock for an aggregate price of $2,175,000.

The Series A preferred stockholders are entitled to receive cash dividends at the rate of 12% of the Series A Liquidation Preference of $1,000 per annum per share when, and if, the Board of Directors declares them from the Company's legally available funds. Dividends on Series A preferred stock shall compound annually and shall be cumulative. No dividends were declared during the years ended December 31, 2013 and 2012.

Series A preferred stockholders are entitled to receive $1,000 per share for each Series A preferred share, in the event the Company is liquidated, dissolved or wound up, whether voluntarily or involuntarily. As of December 31, 2013, dividends in arrears amounted to $98,490, or $45.28 per share of outstanding preferred stock. There were no dividends in arrears as of December 31, 2012.

Series A preferred stock is non-redeemable. Each share of Series A preferred stock is convertible at the option of the holder thereof into shares of common stock. The number of shares of common stock to which holders of Series A preferred stock are entitled shall be the quotient obtained by dividing the Series A Liquidation Preference ($1,000 per share) of the Series A preferred shares being converted, plus all dividends accrued thereon, by the Applicable Conversion Value in effect. As of December 31, 2013, the Applicable Conversion Value was $100. The holder of each share has the right to one vote for each share of common stock into which such Series A preferred stock could then be converted, and with such vote, such holder shall have the full voting rights and powers of the holders of common stock.

NOTE G – Income taxes

Deferred income tax assets and liabilities are computed annually for temporary differences between the consolidated financial statements and tax bases of assets and liabilities that will result in future taxable or deductible amounts.

The provision (credit) for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The Company's net deferred tax (liability) asset was $(297,348) and $38,699 at December 31, 2013 and 2012, respectively, and was comprised of the following:

	2013	2012
Current deferred tax asset:		
Federal	$ 75,712	$ 402,977
State	7,126	7,162
Total current deferred tax asset	82,838	410,139
Current deferred tax liability:		
Federal	(130,288)	(108,450)
State	(12,262)	(10,207)
Total current deferred tax liability	(142,550)	(118,657)
Net current deferred tax (liability) asset	(59,712)	291,482
Noncurrent deferred tax asset:		
Federal	910,898	234,326
State	502	22,054
Foreign	524,205	447,819
Total noncurrent deferred tax asset	1,435,605	704,199
Noncurrent deferred tax liability:		
Federal	(1,050,194)	(805,694)
State	(98,842)	(75,830)
Foreign	(109,691)	(75,458)
Total noncurrent deferred tax liability	(1,258,727)	(956,982)
Less: valuation allowance	(414,514)	—
Net noncurrent deferred tax liability	(237,636)	(252,783)
Net deferred taxes	$ (297,348)	$ 38,699

NOTE G – Income taxes, continued

The deferred tax asset results from the difference in the method of recognition of amortization expense for financial statement and income tax purposes, the allowance for bad debts, certain accrued liabilities and net operating loss carryforwards. The deferred tax liability results from the difference in the method of recognition of depreciation expense and rent expense for financial statement and income tax purposes, and prepaid expenses.

The Company periodically reviews the need for a valuation allowance against deferred tax assets and recognizes these deferred tax assets only to the extent that realization is more likely than not. Based upon a review of the history of losses and trends of the Company's operations in Canada, a valuation allowance in the amount of $414,514, as of December 31, 2013, was established due to the uncertainty of the realization of the deferred tax assets related to the Company's Canadian operations.

The components of the income tax (expense) benefit are as follows for the years ended December 31, 2013 and 2012:

	2013	2012
Current provision	$ —	$ 32,839
Deferred provision	78,467	374,271
Change in valuation allowance	(414,514)	—
Income tax (expense) benefit	$(336,047)	$407,110

The Company's effective income tax rate for 2013 differs from what would be expected if the federal statutory rates were applied to the Company's income before income taxes primarily due to management's estimate that a valuation allowance is necessary for the Canadian deferred tax asset due to uncertainty as to whether the tax benefits would ever be realized. The Company's effective income tax rate for 2012 differs from what would be expected if the federal statutory rates were applied to the Company's income before income taxes primarily due to permanent differences between expenses deductible for financial statement and income tax purposes (including impairment of goodwill), income attributable to the Company's Canadian subsidiary being taxed at a lower effective tax rate, and state income taxes.

Net operating loss carryforwards available as of December 31, 2013 expire as follows:

Year Ending December 31	Federal	Foreign
2032	$1,085,542	$1,089,166
2033	1,347,274	888,967
	$2,432,816	$1,978,133

NOTE G – Income taxes, continued

The Company has various state net operating loss carryforwards available as of December 31, 2013 totaling $1,013,133 with the earliest state net operating loss carryforward expiring during the year ending December 31, 2023.

The Company follows the accounting requirements associated with uncertainty in income taxes using the provisions of ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2013, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Additionally, the Company had no interest and penalties related to income taxes.

The earliest year that the Company's income tax returns are subject to examination is the period ended December 31, 2010.

NOTE H – Fair value measurements

The Company follows the provisions of ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value and provides guidance for measuring fair value and expands disclosures about fair value measurements in accordance with accounting principles generally accepted in the United States of America. ASC 820 does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

ASC 820 enables the reader of the consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

During 2012, the Company's financial assets and liabilities included goodwill. The Company generally applies fair value techniques on a nonrecurring basis associated with valuing potential impairment loss related to long-lived assets accounted for pursuant to ASC 360. Fair value was determined by multiplying the adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) of the Company times a median multiple factor based on similar deal and then subtracting the amount of interest bearing debt. Debt was assumed to be stated at fair value.

NOTE H – Fair value measurements, continued

Fair values of assets and liabilities measured on a nonrecurring basis at December 31, 2012 were as follows:

	Fair Value Measurements at Reporting Date Using				
	Fair Value	Level 1	Level 2	Level 3	Loss
Goodwill	$ —	$ —	$ —	$ —	$(9,701,535)
Total	$ —	$ —	$ —	$ —	$(9,701,535)

In accordance with the provisions of ASC 350, goodwill with a carrying amount of $9,701,535 was written down to its implied fair value of $0, resulting in an impairment charge of $9,701,535, which was included in the operating results for the year ended December 31, 2012.

NOTE I – Operating leases

The Company leases facilities and vehicles under operating leases that expire at various dates through January 2017. Rental expense under operating leases for the years ended December 31, 2013 and 2012 was $930,633 and $953,728, respectively.

Future minimum lease payments under lease agreements that have initial or remaining non-cancelable terms in excess of one year as of December 31, 2013 are as follows:

Years Ending December 31,	
2014	**$ 682,435**
2015	**695,622**
2016	**596,130**
2017	**230,597**
	$2,204,784

Effective September 1, 2012, the Company entered into a five year agreement to lease a building located in Kitchener, Ontario. Under this lease the rent payments commenced in December, 2012, with monthly payments escalating on an annual basis through lease termination in November 2017.

NOTE I – Operating leases, continued

The Company is also responsible for real estate taxes and assessments on this property.

Generally accepted accounting principles require that rent be recorded on a straight-line basis over the life of the lease. Accordingly, rent expense was increased by $46,133 and $86,475 for the years ended December 31, 2013 and 2012, respectively, to reflect rent expense related to the Clinton, Ohio and Kitchener, Ontario leases on the straight-line basis. An aggregate difference of $56,807 and $102,940 at December 31, 2013 and 2012, respectively, has been recorded on the consolidated balance sheets as deferred rent (asset) relating to the difference between actual rent payments and the amount which would have been paid if payments were made on the straight-line basis.

NOTE J – Employee benefit plans

The Company has a 401(k) and profit sharing plan covering substantially all employees. The Company does not match employee deferrals, but may make a profit sharing contribution at the discretion of the Board of Directors. There were no profit sharing contributions for years ended December 31, 2013 and 2012.

NOTE K – Commitments and contingencies

Exit fee

The Mezzanine Debt has an exit fee associated with the note. This exit fee is payable upon the occurrence of a change in control in an amount equal to 4.25% per annum of the outstanding principal amount of the note (but in no case less than 75% of the original principal amount of the note) calculated on a monthly basis. The Company’s obligation to pay the exit fee survives the termination of the note and the repayment of all obligations associated with the note. The exit fee is secured by the collateral of the note. As of December 31, 2013 and 2012, the calculated exit fee amounted to $5,018,934 and $4,241,991, respectively. This amount was not accrued in these consolidated financial statements as management did not believe that the likelihood of a change in control was probable at December 31, 2013 and 2012.

Additionally, the amount of the exit fee payable shall be reduced dollar-for-dollar by amounts payable under the terms and conditions of the Exit Fee Change of Control Bonus Plan.

NOTE L – Commitments and contingencies, continued

Exit fee change of control bonus plan

In conjunction with the exit fee payable upon the occurrence of a change in control, the Company instituted a bonus plan to provide for certain additional incentive compensation payments to be made to key employees or consultants to the Company. Under this plan, each participant in the plan is entitled to a percentage (as set forth in the participant's bonus agreement) of the Pool Amount which was $349,784 (as of July 1, 2010) plus an amount equal to 0.6375% per annum on the outstanding principal amount of the Mezzanine Debt calculated on a monthly basis commencing on July 1, 2010, but in no case shall the percentage be calculated on less than $11,625,000. During 2012, bonus agreements were executed with two executives of the Company entitling them to a bonus payment, determined in accordance with the plan. During 2013, one of the executives entitled to a bonus payment terminated employment and, in accordance with the plan, forfeited his right to bonuses in the event of a change in control.

NOTE M – Contingent stock purchase warrant and stock based compensation

Contingent stock purchase warrant

The Company issued a contingent stock purchase warrant to its majority stockholder. The majority stockholder is entitled to purchase from the Company at any time, or from time to time before June 30, 2025, up to 200 fully paid and non-assessable shares of the Company's common stock, at an exercise price of $0.10 per share. This warrant was issued in connection with the adoption of the Company's 2010 Equity Incentive Plan. During 2012, the majority stockholder exercised 70 shares under the stock purchase warrant. During 2013, there were no shares exercised under the stock purchase warrant.

Stock based compensation

During 2012, the Company granted an option to purchase a total of 70 shares of restricted stock to its Chief Executive Officer and former President at an exercise price of $0.10 per share. These options were exercised during the year ended December 31, 2012. During 2013, the former President terminated employment and forfeited all 20 shares exercised in 2012. There were no options granted during 2013. Shares vest based on a service period of 18 months. The restricted stock was accounted for in accordance with ASC 718, *Stock Compensation* (ASC 718). In accordance with ASC 718, the Company is required to record compensation expense in the consolidated statement of operations for all employee stock-based awards granted, modified or settled. The fair market value of the stock-based awards is determined at the time the stock-based awards are granted and compensation cost is expensed ratably over the vesting period.

The Company determined the fair market value of the stock-based awards issued during the year ended December 31, 2012 to be zero since the calculated fair value per share of the restricted stock was less than the exercise price of $0.10 per share. Accordingly, no stock-based compensation expense was recorded for the year ended December 31, 2013 and there is no unrecognized compensation expense related to the restricted stock at December 31, 2013. The Company estimated the implied fair value of stockholders' equity by multiplying the adjusted

NOTE M – Contingent stock purchase warrant and equity incentive plan, continued

Stock based compensation, continued

EBITDA of the Company times a median multiple factor based on similar deals and then subtracting the amount of interest bearing debt. Debt was assumed to be stated at fair value.

These assumptions reflect the Company's best estimates, but they involve inherent uncertainties based on certain conditions generally outside the control of the Company. As a result, if other assumptions had been used, total stock-based compensation as determined in accordance with ASC 718 could have been materially impacted. Furthermore, if different assumptions are used for future grants, stock-based compensation could be materially impacted in future periods. The weighted-average fair value of stock granted during the year ended December 31, 2012 was zero.

NOTE N – Going concern

As shown in the accompanying consolidated financial statements, the Company incurred losses during the past two years and had an accumulated deficit in retained earnings of $11,450,989 and $9,256,435 as of December 31, 2013 and 2012, respectively. Those factors, and the fact that the Company has failed to maintain compliance with its debt covenants in place with PNC and related to its Mezzanine debt during 2013 and 2014, create substantial doubt about the Company's ability to continue as a going concern. Management of the Company continues to work with its primary lender regarding repayment terms of its obligations. The ability of the Company to continue as a going concern is dependent on acceptance of a plan by the Company's creditors and the plan's success. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE O – Subsequent event

On August 14, 2014, a letter of intent to purchase the assets of the Company was received, and as of October 3, 2014, the potential buyer is currently performing its due diligence of the Company.

Exhibit 2.s.7

SUNSHINE MEDIA GROUP, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013
(audited)

SUNSHINE MEDIA GROUP, INC.
Chattanooga, Tennessee

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014 and 2013

CONTENTS

INDEPENDENT AUDITOR’S REPORT

Board of Directors and Stockholders
Sunshine Media Group, Inc.
Chattanooga, Tennessee

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sunshine Media Group, Inc., which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholders’ deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Media Group, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Crowe Horwath LLP

Franklin, Tennessee
April 30, 2015

SUNSHINE MEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets		
Cash	$ 1,050,412	$ 100,484
Accounts receivable, net of allowance for doubtful accounts of $67,300 and $70,872	2,027,305	2,212,291
Unbilled revenue	72,882	155,285
Other current assets	79,027	121,798
Total current assets	3,229,626	2,589,858
Long-term assets		
Plant and equipment, net (Note 3)	745,501	512,746
Intangible assets, net (Note 4)	652,738	872,000
Other assets	42,227	73,411
Total long-term assets	1,440,466	1,458,157
Total assets	$ 4,670,092	$ 4,048,015
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 948,326	$ 857,183
Accrued expenses	1,821,942	2,194,228
Accrued interest, related party	4,263,359	2,773,420
Deferred revenue	13,402	50,933
Current maturities of capital lease (Note 5)	61,910	—
Line of credit (Note 6)	—	1,600,000
Total current liabilities	7,108,939	7,475,764
Long-term liabilities		
Capital lease, less current maturities (Note 5)	70,710	—
Line of credit (Note 6)	1,600,000	—
Long-term debt, related party (Note 6)	27,648,000	27,648,000
Total long-term liabilities	29,318,710	27,648,000
Stockholders' deficit		
Common stock, $.001 par value; 3,000 shares authorized, 1,868 shares issued and outstanding (Note 7)	2	2
Preferred stock, $.001 par value; 20,000 shares authorized, 15,270 shares issued and outstanding; liquidation preferences totaled $6,912,000 and $6,124,000 at December 31, 2014 and 2013 (Note 7)	15	15
Additional paid-in capital	14,371,640	14,371,640
Accumulated deficit	(46,129,214)	(45,447,406)
Total stockholders' deficit	(31,757,557)	(31,075,749)
Total liabilities and stockholders' deficit	$ 4,670,092	$ 4,048,015

See accompanying notes to consolidated financial statements.

SUNSHINE MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2014 and 2013

	2014	2013
Net sales	$15,789,169	$14,602,998
Cost of sales	8,187,108	8,497,716
Gross margin	7,602,061	6,105,282
Operating expenses		
Sales and marketing	3,199,876	2,780,585
Depreciation and amortization	675,769	654,500
General and administrative	2,879,571	2,540,396
	6,755,216	5,975,481
Income from operations	846,845	129,801
Interest expense	1,525,906	1,523,802
Loss before income tax expense	(679,061)	(1,394,001)
Income tax expense	2,747	2,450
Net loss	$ (681,808)	$ (1,396,451)

See accompanying notes to consolidated financial statements.

SUNSHINE MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
Years ended December 31, 2014 and 2013

	Common Shares	Amount	Preferred Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at January 1, 2013	1,868	$ 2	15,270	$ 15	$14,371,640	$(44,050,955)	$(29,679,298)
Net loss	—	—	—	—	—	(1,396,451)	(1,396,451)
Balance at December 31, 2013	1,868	2	15,270	15	14,371,640	(45,447,406)	(31,075,749)
Net loss	—	—	—	—	—	(681,808)	(681,808)
Balance at December 31, 2014	1,868	$ 2	15,270	$ 15	$14,371,640	$(46,129,214)	$(31,757,557)

See accompanying notes to consolidated financial statements.

SUNSHINE MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Net loss	$ (681,808)	$(1,396,451)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	675,769	654,500
Deferred financing costs	31,184	31,184
Non-cash interest expense	1,489,939	1,492,618
Change in assets and liabilities:		
Accounts receivable	184,986	(219,484)
Unbilled revenue	82,403	73,027
Other current assets	42,771	(36,240)
Accounts payable	91,143	(50,099)
Accrued expenses	(372,286)	(630,895)
Deferred revenue	(37,531)	(78,199)
Net cash from operating activities	1,506,570	(160,039)
Cash flows from investing activities		
Purchases of plant and equipment	(528,871)	(11,240)
Net cash from investing activities	(528,871)	(11,240)
Cash flows from financing activities		
Payments on capital leases	(27,771)	—
Payments on revolving credit facility	—	(100,000)
Net cash from financing activities	(27,771)	(100,000)
Net change in cash	949,928	(271,279)
Cash at beginning of year	100,484	371,763
Cash at end of year	$ 1,050,412	$ 100,484
Supplemental disclosure of cash flow information:		
Interest paid	$ —	$ —
Income taxes	$ 2,450	$ —
Supplemental disclosures of non-cash investing and financing activities:		
Purchase of plant and equipment with capital lease	$ 160,391	$ —

See accompanying notes to consolidated financial statements.

NOTE 1—NATURE OF OPERATIONS

General Business Description: Sunshine Media Group, Inc. (the "Company"), incorporated on December 20, 2000, is a fully integrated publisher and printer of regionally focused specialty trade magazines headquartered in Chattanooga, Tennessee with printing facilities in Tucson, Arizona. The Company publishes magazines across six different titles; Builder Architect™, M.D. News™, Commercial Builder Architect™, Doctor of Dentistry™, Restaurant Forum™ and Real Estate Executive™. The Company has publisher relationships (independent contractors) throughout the United States and Canada and pays commissions based on advertising and reprint sales.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Sunshine Media, Inc., Sunshine Media Printing, Inc., Sunshine Media Advertising, Inc., SMTN, Inc. and Sunshine Custom Publishing, Inc., and its wholly owned subsidiary True North Custom Publishing, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates and Assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include carrying amounts of intangible assets, allowances for receivables, valuation allowances on deferred tax assets, and estimated costs and gross profit on contracts in progress. Actual results could differ from those estimates.

Fair Value of Financial Instruments: The Company's carrying amount for its financial instruments, which include cash, accounts receivable, accounts payable, and long-term debt, approximate fair value.

Cash: The Company maintains substantially all of its cash balances with a major financial institution in the United States. At times, such balances may be in excess of insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Revenue Recognition: Revenue from advertising and reprint sales is recognized upon distribution of the related magazines and reprints. Amounts received in advance of distribution are deferred as a customer deposit liability and are recognized as revenue upon distribution of the related magazines and reprints, generally within one to three months of receipt.

Revenues from publication contracts are recognized based on the established stages of completion.

Contract costs include direct job costs related to contract performance, such as mail prep costs, postage, and custom photography. Direct labor payroll costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The asset "unbilled revenue" represents work performed on contracts not yet earned. The liability "deferred revenue" represents billings in excess of revenues earned.

The direct costs associated with print expenses are treated as a cost reimbursement and are recognized as revenue when incurred. Print costs incurred in excess of print billings are recorded as a receivable. Print billings in excess of print costs incurred are deferred as a liability.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping and Handling Costs: The Company accounts for shipping and handling fees billed to customers as sales. Costs associated with shipping and handling are included in cost of sales in the consolidated statements of operations.

Advertising: The Company expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2014 and 2013 were $35,937 and $16,812.

Accounts Receivable: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Interest is not normally charged on receivables. A valuation allowance is provided for known and anticipated credit losses, as determined by management in the course of regularly evaluating individual customer receivables. This evaluation takes into consideration a customer's financial condition and credit history, as well as current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Plant and Equipment: Plant and equipment are recorded at cost less accumulated depreciation. Major additions and betterments are capitalized; maintenance and repairs are expensed as incurred. When plant and equipment are disposed of, the cost and related accumulated depreciation or amortization are removed from the respective amounts, and resulting gains or losses are reflected in earnings. Depreciation and amortization are computed on the straight-line method for financial statement purposes and accelerated methods for income tax purposes. Leasehold improvements are depreciated over the lesser of the life of the lease or the estimated useful life of the asset. Plant and equipment are reviewed for impairment when events indicate the carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Intangible Assets: Intangible assets with a finite life are amortized over their estimated useful life.

Long-Lived Assets: The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future undiscounted operating cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for taxable temporary differences and operating loss and tax credit carry forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

In accordance with guidance with respect to accounting for uncertainty in income taxes, the Company recognizes a tax benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized would be the largest amount of tax benefit that is greater than 50% likely of being realized on an examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management is not aware of any uncertain tax positions and does not expect uncertain tax positions to change in the next 12 months.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company would recognize interest and/or penalties related to income tax matters in other expenses. No interest or penalties related to income taxes were incurred for the years ended December 31, 2014 and 2013. The Company's 2011 through 2014 tax years are open under applicable United States and various state statutes of limitations.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments to and disclosures within the consolidated financial statements for the year ended December 31, 2014. Management has performed their analysis through April 30, 2015, the date the consolidated financial statements were available to be issued.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on net loss or stockholders' deficit.

NOTE 3—PLANT AND EQUIPMENT

Plant and equipment consists of the following at December 31, 2014 and 2013:

	2014	2013
Leasehold improvements	$ 313,342	$ 313,342
Equipment	3,571,244	3,166,981
Furniture and fixtures	547,497	547,497
Software development costs	1,286,556	1,197,814
Software projects in process	196,258	—
	5,914,897	5,225,634
Less: accumulated depreciation	(5,169,396)	(4,712,888)
Plant and equipment, net	$ 745,501	$ 512,746

Depreciation expense totaled $456,507 and $436,500 for the years ended December 31, 2014 and 2013.

NOTE 4—INTANGIBLE ASSETS

As of December 31, 2014 and 2013, details of the Company's intangible assets are as follows:

	2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 123,000	$ (50,462)	$ 72,538
Trademark	967,000	(386,800)	580,200
	$ 1,090,000	$ (437,262)	$ 652,738

NOTE 4—INTANGIBLE ASSETS (Continued)

	2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 123,000	$ (24,600)	$ 98,400
Trademark	967,000	(193,400)	773,600
	$ 1,090,000	$ (218,000)	$ 872,000

The Company's intangible assets are amortized on a straight-line basis over the amortization periods listed in the following table. The aggregate weighted-average amortization period is five years.

	Amortization Period (in years)
Customer relationships	5
Trademark	5

Amortization expense related to intangible assets totaled $219,262 and $218,000 for the years ended December 31, 2014 and 2013.

Future amortization of intangible assets is as follows:

2015	$218,000
2016	218,000
2017	216,738
	$652,738

NOTE 5—CAPITAL LEASE

In August 2014, the Company entered into a software capital lease agreement which expires in 2017. The gross amount of the asset acquired under capital lease was $181,391 and the related accumulated amortization was approximately $20,155 as of December 31, 2014.

Future minimum lease payments on capital lease is as follows:

2015	$ 61,910
2016	61,910
2017	29,097
	152,917
Amount representing interest	(20,297)
Present value of net minimum lease payments	132,620
Less: current maturities	(61,910)
Capital lease, less current maturities	$ 70,710

NOTE 6—DEBT - RELATED PARTY

Debt consists of the following at December 31, 2014 and 2013:

	2014	2013
Term Note A – $17,000,000 note payable to Gladstone Capital dated May 14, 2007 and maturing May 14, 2016. Principal is due in annual payments of 50% of excess cash flow, as defined in the credit agreement, with all outstanding principal due at maturity. No excess cash flow payment was due for the years ended December 31, 2014 and 2013. Interest accrues on the outstanding principal balance at the higher of 4.75% or LIBOR + 3.25% and is due on demand. The effective interest rate was 4.75% at December 31, 2014 and 2013. The loan is collateralized by substantially all assets and shares of stock of the Company.	$16,948,000	$16,948,000
Term Note B – $10,700,000 note payable to Gladstone Capital dated May 14, 2007 and maturing on May 14, 2016. Principal is due in full at maturity, and interest accrues on the outstanding principal balance at the higher of 5.5% or LIBOR + 4% and is due on demand. The effective interest rate was 5.5% at December 31, 2014 and 2013. The loan is collateralized by substantially all assets and shares of stock of the Company.	10,700,000	10,700,000
Revolving Credit Facility - $2,000,000 line of credit with Gladstone Capital, due August 8, 2014. During the year ended December 31, 2014, the maturity was extended to May 14, 2016. Principal is due in quarterly payments of 50% of excess cash flow, as defined in the credit agreement, with all outstanding principal due at maturity. No excess cash flow payment was due during the years ended December 31, 2014 and 2013. Interest accrues on the outstanding principal balance at the higher of 4.75% or LIBOR + 3.25% and is due on demand. The effective interest rate was 4.75% at December 31, 2014 and 2013. The loan is collateralized by substantially all assets and shares of stock of the Company.	1,600,000	1,600,000
Total debt	29,248,000	29,248,000
Less: current maturities	—	(1,600,000)
Total long-term debt	$29,248,000	$27,648,000

The Company has a covenant to provide audited consolidated financial statements within 120 days of the fiscal year end, without qualification thereof. The Company was in compliance with this covenant at December 31, 2014.

Interest expense for the years ended December 31, 2014 and 2013 was $1,489,939 and $1,492,618. Accrued interest at December 31, 2014 and 2013 was $4,263,359 and $2,773,420 and is payable on demand. If no demand is made, then accrued interest will be paid at maturity.

NOTE 6—DEBT - RELATED PARTY (Continued)

On January 27, 2011, Gladstone Capital purchased 100% of the common stock of Sunshine Media Group, Inc. from the former owners in exchange for $1,480,190 and warrants for 20% of the Company. As part of the transaction, the Company amended its certificate of incorporation and obtained waivers for all covenant violations. On March 4, 2011, Gladstone Capital sold 50% of its common stock position to an investor for $740,095, and, at the same time, Gladstone Capital and the investor each contributed $375,000 into the business in exchange for preferred stock. Management has elected to not adopt pushdown accounting. Accordingly, business combination accounting has not been applied. In conjunction with the stock transaction, the previous warrants were terminated, and new warrants were issued and accounted for at fair value.

On June 13, 2012, Publication Holdings, Inc. (which is 100% owned by Gladstone Capital) bought all the preferred and common stock of the other stockholder's Trust. In exchange for this sale, the Trust will receive future payouts, directly from Gladstone Capital, that are contingent upon the sale of certain assets or stock of Sunshine Media Holdings, Inc. As of June 13, 2012, the Company no longer had any obligation to the stockholder or the investor's Trust.

In conjunction with the January 27, 2011 stock transaction, Publication Holdings, Inc. granted warrants to purchase B units of Publication Holdings, Inc. These warrants can only be exercised upon a sale of the Company or upon an initial public offering. The warrants terminate on January 27, 2021. Management has evaluated the fair value of the warrants and the likelihood of corporate event prior to termination of the warrants and determined the fair value of the warrants to be insignificant.

Subsequent to Year-End

On March 13, 2015, the Company entered into the sixth and seventh amendments to the Securities Purchase Agreement, which are both effective retroactively on January 1, 2015. The sixth amendment states that interest shall accrue on the Revolving Credit Facility at a rate of 8%, beginning on January 1, 2015, and that such interest earned on and after this date shall be payable monthly, in arrears. Accrued interest earned prior to January 1, 2015 shall be due on demand.

The seventh amendment divides Term Note A into two tranches: a) a $5,000,000 tranche, referred to as Term Note A-1, and b) a $12,000,000 tranche, referred to as Term Note A-2 (balance as of January 1, 2015 is $11,948,000). On Term Note A-1, interest shall accrue at a rate of 8%, beginning on January 1, 2015, and such interest earned on and after this date shall be payable monthly, in arrears. Accrued interest earned prior to January 1, 2015 shall be due on demand. On Term Note A-2, interest shall continue to accrue at the higher of 4.75% or LIBOR plus 3.25% and will be due on demand.

NOTE 7—EQUITY

The Company has available for issuance Preferred and Common Stock as authorized in the Company's Amended and Restated Articles of Incorporation. All of the Company's shareholders hold the same voting rights based on the number of shares owned.

The Preferred Stock will earn cumulative preferred returns of 8% of each shareholders' unreturned original cost plus any unpaid preferred returns. These cumulative preferred returns are in preference to common stockholders' cumulative dividends. The Preferred Stock accrues dividends at an annual rate of 8% based on unreturned original costs, compounded annually. In the event of a liquidation, the holders of the Preferred Stock are entitled to receive, prior to and in preference to any distributions to the holders of Common Stock, an amount equal to the sum of the unreturned original cost plus the accrued and unpaid cumulative dividends.

NOTE 8—COMMITMENTS AND CONTINGENCIES

The Company leases corporate office space in Chattanooga, Tennessee under operating leases expiring in 2018. Additionally, the Company maintains an equipment lease expiring in 2017. Rent expense under all operating leases was $304,822 and $289,312 for the years ended December 31, 2014 and 2013.

Future minimum annual payments under operating leases as of December 31, 2014 are as follows:

2015	$302,535
2016	302,535
2017	272,925
2018	43,020
	$921,015

NOTE 9—INCOME TAXES

Income tax expense consists of the following:

	2014	2013
Current tax expense:		
State and local	$2,747	$2,450

Temporary differences which give rise to the Company's net deferred tax assets (liabilities) at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax liabilities:		
Plant and equipment	$ (46,090)	$ (33,007)
Total deferred tax liabilities	(46,090)	(33,007)
Deferred tax assets:		
Accrued expenses	1,929,225	1,502,523
Allowance for doubtful accounts	24,922	26,436
Net operating loss carry forwards	9,574,965	9,215,253
Intangible assets	2,867,243	3,270,166
Other	14,236	22,000
Total deferred tax assets	14,410,591	14,036,378
Valuation allowance	(14,364,501)	(14,003,371)
Net deferred tax asset	$ —	$ —

As the Company has generated net losses since inception, there is uncertainty regarding the Company's ability to realize deferred tax assets. Accordingly, a valuation allowance has been established relating to the Company's net deferred tax assets. The valuation allowance, which increased $361,130 and $520,798 during 2014 and 2013, was based upon management's analysis of available information. The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax loss due to non-deductible expenses, over/under accruals from the prior year, the change in the valuation allowance, and other timing differences. The Company will begin to release the valuation allowance when it is more likely than not the deferred tax asset will be realized.

NOTE 9—INCOME TAXES (Continued)

The Company has federal net operating loss carry forwards totaling approximately $26,000,000, expiring between 2021 and 2034. The Company has a state net operating loss carryforward totaling approximately $10,000,000, expiring between 2022 and 2029.

The Company's effective tax rate reflects the net loss for both of the years ended December 31, 2014 and 2013; therefore, the Company had no current federal tax expense. The current state tax expense is a result of operations in Texas, which are taxed on gross margins as opposed to net taxable income or loss.

A reconciliation of the statutory U.S. federal tax rate and the Company's effective tax rate is as follows:

	2014	2013
Statutory U.S. federal tax rate	34.00%	34.00%
State and local income taxes, net of federal tax benefit	(0.27)%	(0.12)%
Permanent items	(1.54)%	(0.74)%
Change in tax rate from prior year	2.72%	— %
Change in valuation allowance	(28.78)%	(33.34)%
Federal impact of state deferred tax asset true-up	(5.47)%	— %
Expired charitable contribution carryforward	(1.23)%	— %
Other operating charges	0.16%	0.02%
Effective tax rate	(0.41)%	(0.18)%

NOTE 10—MANAGEMENT'S PLAN

Management recognizes the Company has experienced several consecutive years of losses and has negative working capital as of December 31, 2014 and 2013. Management has taken several steps to reverse the situation and improve financial operations in 2013 and 2014. The Company has undertaken several cost saving initiatives that have led to reduced expenses and increased operating profit.

First, the Company went to the market for better costs related to all of its printing operations and successfully negotiated reduced costs with certain vendors. Secondly, the Company has reduced its overhead expenses. This was achieved by streamlining operations and purchasing additional software to better serve clients and in-house efficiencies. A new ERP system was brought on line in January 2012 to improve the Company's operations and management reporting.

On the revenue side, the new seasoned sales force, hired in 2013 and 2014, has largely been focused on securing large new clients in the Hospital industry. The Company has been successful in bringing on approximately $2,800,000 of additional revenue in 2014 related to these large new Hospital clients. The IRM product line has been reinvigorated and is beginning to catch sales traction in the marketplace. The Company is also looking at entering new vertical markets to open addition revenue streams.

The Company is dependent on financing, which is subject to certain covenants, to support its operations. The Company was in compliance with these covenants as of December 31, 2014. The Company has limited availability on the Revolving Credit Facility but has experienced increasing sales and gross margins in 2014. This has created positive operating cash flows and EBITDA. Gladstone Capital has agreed to demand interest payments only to the extent that operating cash flows support the payment of interest.

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.8

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

GLADSTONE CAPITAL

Shares of Common Stock

We are offering for sale shares of our common stock. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share.

	Per Share	Total(1)
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) The aggregate expenses of the offering are estimated to be $, which represents approximately $ per share.

[The underwriters may also purchase up to an additional shares of common stock from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within 30 days after the date of this prospectus supplement. If the over-allotment option is exercised in full, our total proceeds, before expenses, would be $ and the total underwriting discounts and commissions would be $.] The common shares will be ready for delivery on or about , .

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our common stock and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

An investment in our common stock involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors ," which begins on page S-6 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our common stock. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our common stock.

The common stock being offered has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

, 201

[Table of Contents](#)

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)(1)	[ ]%
Offering expenses (as a percentage of offering price)(1)	[ ]%
Dividend reinvestment plan expenses(2)	[ ]
Total stockholder transaction expenses(1)	[ ]%
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Base Management fee(4)	[ ]%
Loan servicing fee(5)	[ ]%
Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	[ ]%
Interest payments on borrowed funds(7)	[ ]%
Dividend expense on mandatorily redeemable preferred stock(8)	[ ]%
Other expenses(9)	[ ]%
Total annual expenses(9)	[ ]%

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by Gladstone Capital and its stockholders. The prospectus supplement relating to an

offering of securities pursuant to this prospectus will disclose the estimated offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Capital and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the reinvestment plan are included in stock record expenses, a component of "other expenses." The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See "*Dividend Reinvestment Plan*" for information on the dividend reinvestment plan.

(3) The numbers presented in this table are gross of credits to any fees.

(4) In accordance with our Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital's management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to [ ]% of the average net assets as of [ ], [ ] by dividing the total dollar amount of the management fee by Gladstone Capital's average net assets.

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

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC ("Business Loan"), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our fifth amended and restated credit agreement for our revolving line of credit ("the Credit Facility"). For the three months ended [ ], [ ], the total loan servicing fee were $[ ]. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. After all voluntary credits described in this footnote and footnote 4 above are applied to the base management fee, the total expenses after fee credits as a percentage of net assets would be [ ]% for the quarter ended [ ], [ ]. See *"Management—Certain Transactions—Investment Advisory and Management Agreement"* and footnote 6 below.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly ([ ]% annualized) hurdle rate of our net assets, subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The

catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through [ ], [ ].

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

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

- Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.
- Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

  = 100% × (2.00% - 1.75%)

  = 0.25%
- Assuming pre-incentive fee net investment income of 2.30%, the income-based incentive fee would be as follows:

  = (100% × (“catch-up”: 2.1875% - 1.75%)) + (20% × (2.30% - 2.1875%))

  = (100% × 0.4375%) + (20% × 0.1125%)

  = 0.4375% + 0.0225%

  = 0.46%
- Assuming net realized capital gains of 6% and realized capital losses and unrealized capital depreciation of 1%, the capital gains-based incentive fee would be as follows:

  = 20% × (6% - 1%)

  = 20% × 5%

  = 1%

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

(7) Includes amortization of deferred financing costs. As of [ ], [ ], we had $[ ] in borrowings outstanding on our Credit Facility.

(8) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended [ ], [ ]. See “*Description of our Securities—Preferred Stock”* for additional information.

(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See “*Management—Certain Transactions—Administration Agreement*.”

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone Capital or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Capital and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ [ ]	$ [ ]	$ [ ]	$ [ ]
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ [ ]	$ [ ]	$ [ ]	$ [ ]

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See "*Dividend Reinvestment Plan*" for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

FINANCIAL HIGHLIGHTS

[To be provided.]

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "GLAD." Our common stock has historically traded at prices both above and below its net asset value. There can be no assurance, however, that any premium to net asset value will be attained or maintained. As of , , we had [ ] stockholders of record.

PLAN OF DISTRIBUTION

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

Shares of Common Stock

PROSPECTUS SUPPLEMENT

, 201

Table of Contents

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.9

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

Shares

GLADSTONE CAPITAL

% Series [ ] Preferred Stock
Liquidation Preference $ per share

We are offering for sale shares of our Series Preferred Stock. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share. There currently is no market for the Series Preferred Stock. We applied to list the Series Preferred Stock on [ ]. The expected trading symbol for the Series Preferred Stock is [ ].

	Per Share	Total(1)
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) The aggregate expenses of the offering are estimated to be $, which represents approximately $ per share.

The Underwriters are expected to deliver the Series Preferred Stock in book-entry form through the Depositary Trust Company on or about .

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our preferred stock and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

An investment in our preferred stock involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors," which begins on page P-5 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our preferred stock. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our preferred stock.

The preferred stock being offered has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

, 201

Table of Contents

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

TERMS OF THE SERIES [ ] PREFERRED STOCK

Dividend Rate	The dividend rate will be %.
Dividend Payment Rate	[Dividends will be paid when, as and if declared on , , , and , commencing .] The payment date for the initial dividend period will be .]
Regular Dividend Period	Regular dividend periods will be days.
Liquidation Preference	$ per share
Non-Call Period	The shares may not be called for redemption at the option of the Company prior to .
Stock Exchange Listing	

Table of Contents

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES [ ] PREFERRED STOCK

[To be provided.]

DESCRIPTION OF THE SERIES [ ] PREFERRED STOCK

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Shares

GLADSTONE CAPITAL

Gladstone Capital Corporation

% Series [ ] Preferred Stock

(Liquidation Preference $ per share)

PROSPECTUS SUPPLEMENT

, 201

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.10

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

Rights for Shares

GLADSTONE CAPITAL

Subscription Rights for Common Stock

Gladstone Capital Corporation, referred to as we, us, our or the Company, is issuing subscription rights, or Rights, to our common stockholders to purchase additional shares of common stock.

We were primarily established for the purpose of investing in subordinated loans, mezzanine debt, preferred stock and warrants to purchase common stock of small and medium-sized companies in connection with buyouts and other recapitalizations. When we invest in buyouts we do so with the management team of the portfolio companies and with other buyout funds. We also sometimes invest in senior secured loans, common stock and, to a much lesser extent, senior and subordinated syndicated loans. Our investment objective is to generate both current income and capital gains through these debt and equity instruments. 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, which we refer to as the 1940 Act. Our investment adviser is Gladstone Management Corporation, referred to as the Adviser.

Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share.

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Rights and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

Investing in common stock through Rights involves certain risks that are described in the "Risk Factors" section beginning on page R-9 of this prospectus supplement and page of the accompanying prospectus.

Stockholders who do not exercise their rights may, at the completion of the offering, own a smaller proportional interest in the Company than if they exercised their rights. As a result of the offering you may experience dilution or accretion of the aggregate net asset value of your shares of common stock depending upon whether the Company's net asset value per share of common stock is above or below the subscription price on the expiration date.

The Rights being offered have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Subscription price of Common Stock to shareholders exercising Rights	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us(1)	$	$

(1) The aggregate expenses of the offering are estimated to be $.

The common stock is expected to be ready for delivery in book-entry form through the Depository Trust Company on or about , 201 . If the offer is extended, the common stock is expected to be ready for delivery in book-entry form through the Depository Trust Company on or about , 201 .

, 201

Table of Contents

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Offer	[To be provided.]
Amount Available for Primary Subscription	$[ ]
Title	Subscription Rights for common stock
Subscription Price	Rights may be exercised at a price of $ per share of common stock (the "Subscription Price"). See "*Description of the Rights Offering.*"
Record Date	Rights will be issued to holders of record of the Company's common stock on , 201 (the "Record Date"). See "*Description of the Rights Offering.*"
Number of Rights Issued	Rights will be issued in respect of each share of common stock of the Company outstanding on the Record Date. See "*Description of the Rights Offering.*"
Number of Rights Required to Purchase One Common Share	A holder of Rights may purchase share of common stock of the Company for every Rights exercised. The number of Rights to be issued to a stockholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by . See "*Description of the Rights Offering.*"

Table of Contents

Over-Subscription Privilege	[To be provided.]
Transfer of Rights	[To be provided.]
Subscription Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights, which will be 5:00 PM Eastern Time on , 201 (the "Expiration Date") (the "Subscription Period"). See "*Description of the Rights Offering*."
Offer Expenses	The expenses of the Offer are expected to be approximately $[ ]. See "*Use of Proceeds*."
Sale of Rights	[To be provided.]
Use of Proceeds	The Company estimates the net proceeds of the Offer to be approximately $[ ]. This figure is based on the Subscription Price per share of $ and assumes all new shares of common stock offered are sold and that the expenses related to the Offer estimated at approximately $[ ] are paid. The Company intends to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes. See "*Use of Proceeds*."
Rights Agent	[To be provided.]

DESCRIPTION OF THE RIGHTS OFFERING

[To be provided.]

Table of Contents

FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)(1)	[ ]%
Offering expenses (as a percentage of offering price)(1)	[ ]%
Dividend reinvestment plan expenses(2)	None
Total stockholder transaction expenses(1)	[ ]%
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Base Management fee(4)	[ ]%
Loan servicing fee(5)	[ ]%
Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	[ ]%
Interest payments on borrowed funds(7)	[ ]%
Dividend expense on mandatorily redeemable preferred stock(8)	[ ]%
Other expenses(9)	[ ]%
Total annual expenses(9)	[ ]%

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by Gladstone Capital and its stockholders. The prospectus supplement relating to an offering of securities pursuant to this prospectus will disclose the estimated offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Capital and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the reinvestment plan are included in stock record expenses, a component of "other expenses." The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See "*Dividend Reinvestment Plan*" for information on the dividend reinvestment plan.

(3) The numbers presented in this table are gross of credits to any fees.

(4) In accordance with our Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital's management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to [ ]% of the average net assets as of [ ], [ ] by dividing the total dollar amount of the management fee by Gladstone Capital's average net assets.

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

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC ("Business Loan"), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our fifth amended and restated credit agreement for our revolving line of credit ("the Credit Facility"). For the three months ended [ ], [ ], the total loan servicing fee were $[ ]. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. After all voluntary credits described in this footnote and footnote 4 above are applied to the base management fee, the total expenses after fee credits as a percentage of net assets would be [ ]% for the quarter ended [ ], [ ]. See *"Management—Certain Transactions—Investment Advisory and Management Agreement"* and footnote 6 below.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly ([ ]% annualized) hurdle rate of our net assets, subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through [ ], [ ].

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

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

- Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.
- Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

  = 100% × (2.00% - 1.75%)

  = 0.25%

Table of Contents

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

  = (100% × ("catch-up": 2.1875% - 1.75%)) + (20% × (2.30% - 2.1875%))

  = (100% × 0.4375%) + (20% × 0.1125%)

  = 0.4375% + 0.0225%

  = 0.46%

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

  = 20% × (6% - 1%)

  = 20% × 5%

  = 1%

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

(7) Includes amortization of deferred financing costs. As of [ ], [ ], we had $[ ] in borrowings outstanding on our Credit Facility.

(8) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended [ ], [ ]. See "*Description of our Securities—Preferred Stock"* for additional information.

(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See "*Management—Certain Transactions—Administration Agreement*."

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone Capital or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Capital and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ [ ]	$ [ ]	$ [ ]	$ [ ]
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ [ ]	$ [ ]	$ [ ]	$ [ ]

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital

gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See "*Dividend Reinvestment Plan*" for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

Table of Contents

CAPITALIZATION

[To be provided.]

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "GLAD." Our common stock has historically traded at prices both above and below its net asset value. There can be no assurance, however, that any premium to net asset value will be attained or maintained. As of , , we had [ ] stockholders of record.

TAXATION

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

Shares of Common Stock

Issuable Upon Exercise of Rights to

Subscribe for Such Shares of Common Stock

PROSPECTUS SUPPLEMENT

, 201

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.11

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

Rights for Shares

GLADSTONE CAPITAL

Subscription Rights for % Series [ ] Preferred Stock

Gladstone Capital Corporation, referred to as we, us, our or the Company, is issuing subscription rights, or Rights, to our common stockholders to purchase shares of % Series [ ] Preferred Stock, referred to as the Series [ ] Preferred Stock.

We were primarily established for the purpose of investing in subordinated loans, mezzanine debt, preferred stock and warrants to purchase common stock of small and medium-sized companies in connection with buyouts and other recapitalizations. When we invest in buyouts we do so with the management team of the portfolio companies and with other buyout funds. We also sometimes invest in senior secured loans, common stock and, to a much lesser extent, senior and subordinated syndicated loans. Our investment objective is to generate both current income and capital gains through these debt and equity instruments. 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, which we refer to as the 1940 Act. Our investment adviser is Gladstone Management Corporation, referred to as the Adviser.

Our common stock is traded on The NASDAQ Global Select Market under the symbol “GLAD.” The last reported sale price for our common stock on , was $ per share. The net asset value of our common shares at the close of business on , 201 was $ per share. There currently is no market for the Series [ ] Preferred Stock. We applied to list the Series [ ] Preferred Stock on [ ]. The expected trading symbol for the Series [ ] Preferred Stock is [ ].

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Rights and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

Investing in preferred stock through Rights involves certain risks that are described in the “Risk Factors “ section beginning on page PR-5 of this prospectus supplement and page of the accompanying prospectus.

The Rights being offered have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Subscription price of Preferred Stock to shareholders exercising Rights	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us(1)	$	$

(1) The aggregate expenses of the offering are estimated to be $[ ].

The preferred stock is expected to be ready for delivery in book-entry form through the Depository Trust Company on or about , 201 . If the offer is extended, the preferred stock is expected to be ready for delivery in book-entry form through the Depository Trust Company on or about , 201 .

, 201

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "believe," "will," "provided," "anticipate," "future," "could," "growth," "plan," "intend," "expect," "should," "would," "if," "seek," "possible," "potential," "likely" or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Offer	[To be provided.]
Amount Available for Primary Subscription	$[ ]
Title	Subscription Rights for Series [ ] preferred stock
Exercise Price	Rights may be exercised at a price of $ per share of common stock (the "Subscription Price"). See "*Description of the Rights Offering*."
Record Date	Rights will be issued to holders of record of the Company's common stock on , 201 (the "Record Date"). See "*Description of the Rights Offering*."
Number of Rights Issued	Rights will be issued in respect of each share of preferred stock of the Company outstanding on the Record Date. See "*Description of the Rights Offering*."
Number of Rights Required to Purchase One Preferred Share	A holder of Rights may purchase share of common stock of the Company for every Rights exercised. The number of Rights to be issued to a stockholder on the Record Date will be rounded up to the nearest number of Rights evenly divisible by . See "*Description of the Rights Offering*."
Over-Subscription Privilege	[To be provided.]

Table of Contents

Transfer of Rights	[To be provided.]
Exercise Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights, which will be 5:00 PM Eastern Time on , 201 (the "Expiration Date") (the "Subscription Period"). See "*Description of the Rights Offering* ."
Offer Expenses	The expenses of the Offer are expected to be approximately $[ ]. See "*Use of Proceeds* ."
Sale of Rights	[To be provided.]
Use of Proceeds	The Company estimates the net proceeds of the Offer to be approximately $[ ]. This figure is based on the Exercise Price per share of $ and assumes all new shares of Series [ ] preferred stock offered are sold and that the expenses related to the Offer estimated at approximately $[ ] are paid. The Company intends to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes. See "*Use of Proceeds* ."
Rights Agent	[To be provided.]

TERMS OF THE SERIES [ ] PREFERRED STOCK

Dividend Rate	The dividend rate will be %.
Dividend Payment Rate	[Dividends will be paid when, as and if declared on , , , and , commencing .] The payment date for the initial dividend period will be .]
Regular Dividend Period	Regular dividend periods will be days.
Liquidation Preference	$ per share
Non-Call Period	The shares may not be called for redemption at the option of the Company prior to .
Stock Exchange Listing	

DESCRIPTION OF THE RIGHTS OFFERING

[To be provided.]

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

Shares of % Series [ ] Preferred Stock

Issuable Upon Exercise of Rights to

Subscribe for Such Shares of Preferred Stock

PROSPECTUS SUPPLEMENT

, 201

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.12

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

GLADSTONE CAPITAL

% Notes due ,

We are offering promissory notes in an aggregate principal amount of $, which we refer to as the Notes in this prospectus supplement. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share.

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Notes and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

An investment in our Notes involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors ," which begins on page N-4 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our Notes. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Notes.

The Notes do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

	Per Note	Total
Public offering price	$	$
Sales load	$	$
Proceeds to us (before expenses)(1)	$	$

(1) Does not include offering expenses payable to us estimated to be $.

The Notes will be ready for delivery on or about , 201 .

, 201

Table of Contents

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

TERMS OF THE NOTES

Principal Amount	The principal amount of the Notes is $ in the aggregate.
Maturity	The principal amount of the Notes will become due and payable on , .
Interest Rate	The interest rate will be %.
Frequency of payment	Interest will be paid commencing .
Prepayment Protections	[To be provided.]
Conversion	[To be provided.]
[Stock Exchange Listing]	[To be provided.]
Rating	It is a condition of issuance that the notes be rated [ ] by [ ].

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

CAPITALIZATION

[To be provided.]

ASSET COVERAGE RATIO

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

%   Notes due   ,

PROSPECTUS SUPPLEMENT

, 201

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.13

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

GLADSTONE CAPITAL

% Senior Notes due ,

We are offering promissory senior notes in an aggregate principal amount of $, which we refer to as the Notes in this prospectus supplement. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share.

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Notes and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstoneinvestment.com.

An investment in our Notes involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors ," which begins on page N-6 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our Notes. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Notes.

The Notes do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

	Per Note	Total
Public offering price	$	$
Sales load	$	$
Proceeds to us (before expenses)(1)	$	$

(1) Does not include offering expenses payable to us estimated to be $.

The Notes will be ready for delivery on or about , 201 .

, 201

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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

TERMS OF THE NOTES

Principal Amount	The principal amount of the Notes is $ in the aggregate.
Maturity	The principal amount of the Notes will become due and payable on , .
Interest Rate	The interest rate will be %.
Frequency of payment	Interest will be paid commencing .
Prepayment Protections	[To be provided.]
Conversion	[To be provided.]
[Stock Exchange Listing]	[To be provided.]
Rating	It is a condition of issuance that the notes be rated [ ] by [ ].
Covenants	[To be provided.]
Events of Default	[To be provided.]
Clearance and Settlement Procedures	[To be provided.]
Denominations	[To be provided.]
Ranking	[The Notes may rank senior to future debt securities if such debt issuance is expressly subordinate to the Notes. The Notes may rank senior to current indebtedness if the Notes are secured. The Company will provide any required disclosure should the Notes rank senior to current or future obligations, and any such ranking will be in accordance with the applicable provisions of the 1940 Act. Additional details to be provided regarding any such ranking.]
Trustee	[To be provided.]
Redemption	[To be provided.]

Table of Contents

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

[To be provided.]

CAPITALIZATION

[To be provided.]

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

The legality of securities offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

% Senior Notes due ,

PROSPECTUS SUPPLEMENT

, 201

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.14

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

GLADSTONE CAPITAL

Warrants for Common Stock

We are offering for sale warrants to purchase shares of common stock of the Company, which we refer to as Common Warrants, at an exercise price equal to $ per whole share. No fractional Common Warrants will be issued. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share.

Currently, no public market exists for the Common Warrants offered by this prospectus supplement. It is anticipated that the Common Warrants will be quoted on promptly after the date of this prospectus supplement.

	Per Warrant	Total(1)
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) The aggregate expenses of the offering are estimated to be $.

The Underwriters are expected to deliver the Common Warrants in book-entry form through the Depositary Trust Company on or about , .

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Common Warrants and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

An investment in our Common Warrants involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors ," which begins on page W-8 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our Common Warrants. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Common Warrants.

The Common Warrants being offered have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

, 201

Table of Contents

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

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, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

TERMS OF THE WARRANTS

Exercise Price	Each Common Warrant will be exercisable at an exercise price of $ per whole share of common stock of the Company.
Exercise Period	The Common Warrants will be exercisable until the date that is years from the original date of issuance, or the Exercise Period. The rights represented by the Common Warrants may be exercised in whole or in part at any time during the Exercise Period.
[Stock Exchange Listing]	[To be provided.]
[Non-Call Period	The Common Warrants may not be called for redemption at the option of the Company prior to .]
No Stockholder Rights	The Common Warrants do not entitle the holder to any voting rights or other rights as a stockholder of the Company.

Table of Contents

FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)(1)	[ ]%
Offering expenses (as a percentage of offering price)(1)	[ ]%
Dividend reinvestment plan expenses(2)	[ ]
Total stockholder transaction expenses(1)	[ ]%
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Base Management fee(4)	[ ]%
Loan servicing fee(5)	[ ]%
Incentive fee (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	[ ]%
Interest payments on borrowed funds(7)	[ ]%
Dividend expense on mandatorily redeemable preferred stock(8)	[ ]%
Other expenses(9)	[ ]%
Total annual expenses(9)	[ ]%

(1) The amounts set forth in this table do not reflect the impact of any sales load, sales commission or other offering expenses borne by Gladstone Capital and its stockholders. The prospectus supplement relating to an offering of securities pursuant to this prospectus will disclose the estimated offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Capital and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) The expenses of the reinvestment plan are included in stock record expenses, a component of "other expenses." The participants in the dividend reinvestment plan will bear a pro rata share of brokerage commissions incurred with respect to open market purchases, if any. See "*Dividend Reinvestment Plan*" for information on the dividend reinvestment plan.

(3) The numbers presented in this table are gross of credits to any fees.

(4) In accordance with our Advisory Agreement, our annual base management fee is 1.75% (0.4375% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital's management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to [ ]% of the average net assets as of [ ], [ ] by dividing the total dollar amount of the management fee by Gladstone Capital's average net assets.

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

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC ("Business Loan"), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our fifth amended and restated credit agreement for our revolving line of credit ("the Credit Facility"). For the three months ended [ ], [ ], the total loan servicing fee were $[ ]. The entire loan servicing fee paid to the Adviser by Business Loan is generally voluntarily, irrevocably and unconditionally credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. After all voluntary credits described in this footnote and footnote 4 above are applied to the base management fee, the total expenses after fee credits as a percentage of net assets would be [ ]% for the quarter ended [ ], [ ]. See *"Management—Certain Transactions—Investment Advisory and Management Agreement"* and footnote 6 below.

(6) In accordance with our Advisory Agreement, the incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly ([ ]% annualized) hurdle rate of our net assets, subject to a "catch-up" provision measured as of the end of each calendar quarter. The "catch-up" provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee (see footnote 4 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through [ ], [ ].

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

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

- Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.
- Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

  = 100% × (2.00% - 1.75%)

  = 0.25%

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

  = (100% × (“catch-up”: 2.1875% - 1.75%)) + (20% × (2.30% - 2.1875%))

  = (100% × 0.4375%) + (20% × 0.1125%)

  = 0.4375% + 0.0225%

  = 0.46%

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

  = 20% × (6% - 1%)

  = 20% × 5%

  = 1%

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

(7) Includes amortization of deferred financing costs. As of [ ], [ ], we had $[ ] in borrowings outstanding on our Credit Facility.
(8) Includes amortization of deferred financing costs related to our Series 2021 Term Preferred Stock, as well as amounts paid to preferred stockholders during the three months ended [ ], [ ]. See “*Description of our Securities—Preferred Stock*” for additional information.
(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See “*Management—Certain Transactions—Administration Agreement*.”

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our quarterly operating expenses would remain at the levels set forth in the table above and are gross of credits to any fees. The amounts set forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone Capital or its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Capital and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, incentive fees, if any, and other expenses) may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$[ ]	$[ ]	$[ ]	$ [ ]
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$[ ]	$[ ]	$[ ]	$ [ ]

(1) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Additionally, we have assumed that the entire amount of such 5% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5% annual

return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5% annual return on our investments.

(2) While the example assumes reinvestment of all dividends and distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the average cost of shares of our common stock purchased in the open market in the period beginning on or before the payment date of the distribution and ending when the plan agent has expended for such purchases all of the cash that would have been otherwise payable to participants. See "*Dividend Reinvestment Plan*" for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains based incentive fee is payable.

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

CAPITALIZATION

[To be provided.]

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "GLAD." Our common stock has historically traded at prices both above and below its net asset value. There can be no assurance, however, that any premium to net asset value will be attained or maintained. As of , , we had [ ] stockholders of record.

DESCRIPTION OF THE WARRANTS

[To be provided.]

Table of Contents

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

Warrants for Common Stock

PROSPECTUS SUPPLEMENT

, 201

Table of Contents

Filed Pursuant to Rule 497
Registration Statement No.

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Exhibit 2.s.15

PROSPECTUS SUPPLEMENT
(To Prospectus dated , 201)

GLADSTONE CAPITAL

Warrants for Series [ ] Preferred Stock

We are offering for sale warrants to purchase shares of Series [ ] Preferred Stock of the Company, which we refer to as Preferred Warrants, at an exercise price equal to $ per whole share. No fractional Preferred Warrants will be issued. Our common stock is traded on The NASDAQ Global Select Market under the symbol "GLAD." The last reported sale price for our common stock on , was $ per share. The net asset value per share of our common stock at the close of business on , 201 was $ per share. Our preferred stock is traded on [ ] under the symbol [ ]. The last reported sale of our preferred stock on , 201 was $ per share.

Currently, no public market exists for the Preferred Warrants offered by this prospectus supplement. It is anticipated that the Preferred Warrants will be quoted on promptly after the date of this prospectus supplement.

	Per Warrant	Total(1)
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

(1) The aggregate expenses of the offering are estimated to be $.

The Underwriters are expected to deliver the Preferred Warrants in book-entry form through the Depositary Trust Company on or about , .

You should read this prospectus supplement and the accompanying prospectus before deciding whether to invest in our Preferred Warrants and you should retain them for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission. This information is available free of charge on our corporate website at http://www.gladstonecapital.com.

An investment in our Preferred Warrants involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled "Risk Factors ," which begins on page WP-4 of this prospectus supplement and page of the accompanying prospectus. Shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss of purchasers of our Preferred Warrants. You should carefully consider these risks together with all of the other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our Preferred Warrants.

The Preferred Warrants being offered have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus supplement or the accompanying prospectus. You must not rely upon any information or representation not contained in this prospectus supplement or the accompanying prospectus as if we had authorized it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus supplement and any accompanying prospectus is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute “forward-looking statements.” These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as “may,” “might,” “believe,” “will,” “provided,” “anticipate,” “future,” “could,” “growth,” “plan,” “intend,” “expect,” “should,” “would,” “if,” “seek,” “possible,” “potential,” “likely” or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance 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, among others: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as a Business Development Company; and (9) 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. The forward-looking statements contained in this prospectus supplement, or 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.

TERMS OF THE WARRANTS

Exercise Price	Each Preferred Warrant will be exercisable at an exercise price of $ per whole share of Series [ ] Preferred Stock of the Company.
Exercise Period	The Preferred Warrants will be exercisable until the date that is years from the original date of issuance, or the Exercise Period. The rights represented by the warrant may be exercised in whole or in part at any time during the Exercise Period.
[Stock Exchange Listing]	[To be provided.]
[Non-Call Period	The Preferred Warrants may not be called for redemption at the option of the Company prior to .]
No Stockholder Rights	The Preferred Warrants do not entitle the holder to any voting rights or other rights as a stockholder of the Company.

TERMS OF THE SERIES [ ] PREFERRED STOCK

Dividend Rate	The dividend rate will be %.
Dividend Payment Rate	[Dividends will be paid when, as and if declared on , , and , commencing .] The payment date for the initial dividend period will be .]
Regular Dividend Period	Regular dividend periods will be days.
Liquidation Preference	$ per share
Non-Call Period	The shares may not be called for redemption at the option of the Company prior to .
Stock Exchange Listing	

RISK FACTORS

[To be provided.]

USE OF PROCEEDS

We intend to use the net proceeds from this offering first to pay down existing short-term debt, then to make investments in small and mid-sized businesses in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. Indebtedness under our credit line facility currently accrues interest at the rate of approximately [ ]% and matures on , . 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 the offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

CAPITALIZATION

[To be provided.]

DESCRIPTION OF THE WARRANTS

[To be provided.]

TAXATION

[To be provided.]

UNDERWRITING

[To be provided.]

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Venable LLP, Baltimore, Maryland, will pass upon the legality of certain of the securities offered by us and certain other matters of Maryland law. [Certain legal matters will be passed upon for the underwriters by .]

Gladstone Capital Corporation

Warrants for Series [ ] Preferred Stock

PROSPECTUS SUPPLEMENT

, 201