GLADSTONE CAPITAL CORP
Form 497
October 26, 2015
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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 26, 2015

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated January 30, 2015)

2,000,000 Shares

Common Stock

We are offering 2,000,000 shares of our common stock. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. Our common stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol GLAD. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

These shares are being offered at a discount from our most recently determined net asset value (NAV) per share pursuant to authority granted for twelve months by our common stockholders at our annual meeting of stockholders held on February 12, 2015, and as subsequently approved by our Board of Directors. Our stockholders did not specify a maximum discount below NAV at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. The last reported closing price of our common stock on October 23, 2015 was $8.85 per share. The estimated NAV per share of our common stock at October 23, 2015 was $9.08, which represents the midpoint in our estimated NAV per share range of $9.03 and $9.13. Sales of common stock at prices below NAV per share dilute the interest of existing stockholders, having the effect of reducing our NAV per share and may reduce our market price per share. See Risk Factors beginning on page S-11 of this prospectus supplement and on page 9 of the accompanying prospectus and Sales of Common Stock Below Net Asset Value beginning on page S-17 of this prospectus supplement and page 62 of the accompanying prospectus.

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

Investing in our common stock involves a high degree of risk. You could lose some or all of your investment. You should carefully consider each of the factors described under Risk Factors beginning on page S-11 of this prospectus supplement and beginning on page 9 of the accompanying prospectus before you invest in the common stock.

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

	Per Share	**Total (2)**
Public offering price	$	$
Underwriting discounts and commissions (sales load)	$	$
Proceeds to Gladstone Capital Corporation, before expenses (1)	$	$

(1) Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $240,000.
(2) We have granted the underwriters a 30-day option to purchase an additional 300,000 shares of common stock solely to cover over allotments, if any. If such option is exercised in full, the total underwriting discounts and commissions will be $, and the total proceeds, before expenses, to us would be $. See Underwriting on page S-55 of this prospectus supplement.

The underwriters are expected to deliver the shares on or about , 2015.

Joint Book-Running Managers

Janney Montgomery Scott	**Ladenburg Thalmann**	**Wunderlich**

Co-Managers

Maxim Group LLC	**J.J.B. Hilliard, W.L. Lyons, LLC**	**National Securities Corporation**

Prospectus Supplement dated , 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

The common stock does not represent a deposit or obligation of, and is 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.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell shares of our common stock in any jurisdiction where such an offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their respective covers, regardless of the time of delivery or any sale of the common stock.

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PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus prior to making an investment in our common stock, and especially the information set forth under the heading Risk Factors in this prospectus supplement and in the accompanying prospectus. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, we, us or our refers to Gladstone Capital Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to the Adviser and its affiliated companies. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their overallotment option.

Gladstone Capital Corporation

Gladstone Capital Corporation is an externally managed specialty finance company that provides capital to small and medium-sized private U.S. businesses and commenced investment operations in September 2001. We are a Maryland corporation and operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, as amended (the 1940 Act). For federal income tax purposes, we have elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code.

As of June 30, 2015, our portfolio consisted of investments in 46 companies in 20 states in 19 different industries with a fair value of $347.2 million, consisting of senior secured term debt, subordinated secured term debt, preferred equity and common equity.

As of October 23, 2015, we had 21,131,622 shares of common stock, par value $0.001 per share, or common stock, outstanding and 2,440,000 shares of our 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share, or our Series 2021 Term Preferred Shares (also referred to as our Series 2021 Term Preferred Stock) outstanding. Since our initial public offering in 2001, through September 30, 2015, we have made 152 consecutive monthly distributions on our common stock. Our monthly distribution declared per share of common stock was $0.07 for each of October, November and December 2015. Our monthly distribution declared per share for our Series 2021 Term Preferred Stock was $0.140625 for each of October, November and December 2015.

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

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

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States, (U.S.). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally

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ranging from $5 million to $25 million, although investment size may vary depending upon our total assets or available capital at the time of investment. We aim to maintain a portfolio allocation of approximately 90.0% debt investments and 10.0% equity investments, at cost.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the 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 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.

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

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

Senior Subordinated Secured Debt Securities: We seek to invest a portion of our assets in senior subordinated secured debt securities, also known as senior subordinated loans and senior subordinated notes. These senior subordinated secured debts also include second lien notes and may include participation and investment in syndicated second lien loans. Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior subordinated secured 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 include second lien notes and unsecured loans. Additionally, we may receive other yield enhancements and warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

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

Additionally, pursuant to the 1940 Act, we must maintain at least 70.0% of our total assets in qualifying assets, as described in Section 55(a) of the 1940 Act. Therefore, the 1940 Act permits us to invest up to 30.0% of our assets in other non-qualifying assets. See Regulation as a Business Development Company Qualifying Assets in the accompanying prospectus for a discussion of qualifying assets under Section 55(a) of the 1940 Act. With the exception of our policy to conduct our business as a BDC, none of our investment policies are deemed fundamental and all may be changed without stockholder approval.

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Our Investment Adviser and Administrator

Gladstone Management Corporation (the Adviser) is our affiliated 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, general counsel and secretary and their respective staffs. Excluding our chief financial officer and treasurer, who is temporarily serving as Acting Principal Financial Officer of our affiliate, Gladstone Investment Corporation (Gladstone Investment) until December 2015, all of our executive officers serve as directors or executive officers, or both, of the following of our affiliates: Gladstone Commercial Corporation (Gladstone Commercial), a publicly traded real estate investment trust (NASDAQ: GOOD); Gladstone Investment, a publicly traded BDC and RIC (NASDAQ: GAIN); Gladstone Land Corporation (Gladstone Land), a publicly traded real estate investment trust that invests in farmland and farm related property (NASDAQ: LAND); the Adviser; and the Administrator. Our chief financial officer and treasurer is also the chief accounting officer of the Adviser. David Gladstone, our chairman and chief executive officer, also serves on the board of managers of our affiliate, Gladstone Securities, LLC, or 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 (as amended and restated to date, the Advisory 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 (the Administration Agreement) with the Administrator to provide such services. The Advisory Agreement was further amended on October 13, 2015 to reduce the base management fee effective July 1, 2015. The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Recent Developments

Preliminary Estimates of Results for the Year Ended September 30, 2015

Set forth below are certain preliminary estimates of our financial condition and results of operations for the year ended September 30, 2015. These estimates are subject to the completion of our financial closing procedures, including an independent audit, and are not a comprehensive statement of our financial results for the year ended September 30, 2015 or any time thereafter. We advise you that our actual results may differ materially from these estimates as a result of the completion of our independent audit and financial closing procedures and other developments arising between now and the time that we expect to finalize financial results for the year ended September 30, 2015 in November of this year.

Net investment income per weighted average share of common stock outstanding is estimated to have totaled $0.84 for the year ended September 30, 2015.

Net asset value per share of common stock outstanding as of September 30, 2015 and October 23, 2015 is estimated to be between $9.03 to $9.13.

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We expect to announce final results of operations for the three months and year ended September 30, 2015 on November 17, 2015 prior to the opening of the financial markets.

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

Distributions

In October 2015, our Board of Directors authorized and we 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 16, 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**

In July 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
July 24, 2015	August 4, 2015	$ 0.07	$ 0.140625
August 20, 2015	August 31, 2015	0.07	0.140625
September 21, 2015	September 30, 2015	0.07	0.140625
Total for the Quarter		**$ 0.21**	**$ 0.421875**

Investment Activity

On July 3, 2015 we invested $7.2 million in Mikawaya, Inc. (Mikawaya), a producer of Japanese pastries and specialty frozen desserts, headquartered in Vernon, California through a combination of secured debt and equity.

On July 8, 2015, we sold our debt investment in Ardent Medical Services, Inc. for net proceeds of $7.2 million.

On July 24, 2015 we invested $13.0 million in TWS Acquisition Corporation, a post-secondary skilled trade school, headquartered in Phoenix, Arizona through secured debt.

On August 21, 2015 we invested $9.75 million in Triple H Food Processors, Inc., a food processor and co-packer, headquartered in Riverside, California through a combination of secured debt and equity.

On August 28, 2015, we exited our investment in Saunders & Associates for net proceeds of $1.0 million and a realized loss of $8.9 million.

On September 8, 2015 we invested $8.5 million in Flight Fit N Fun LLC, a trampoline park operator, headquartered in Springfield, Virginia through a combination of secured debt and equity.

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On September 30, 2015, we restructured our investment in GFRC Holding, LLC, resulting in a realized loss of $10.8 million.

On October 7, 2015 our debt investment in Ameriqual Group, LLC paid off at par for net proceeds of $7.4 million.

On October 22, 2015 we exited 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 that will be recorded in the quarter ending December 31, 2015.

Amendment to Investment Advisory and Management Agreement

On October 13, 2015, we amended the Advisory Agreement to reduce the annual base management fee from 2.00% to 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. The amendment was unanimously approved by our Board of Directors, including, specifically, approved unanimously by the Company s independent directors and is effective as of July 1, 2015.

THE OFFERING

Issuer	Gladstone Capital Corporation
Common stock offered by us	2,000,000 shares (or 2,300,000 shares if the underwriters exercise their overallotment option in full).
Common stock outstanding prior to this offering	21,131,622 shares
Common stock to be outstanding after this offering	23,131,622 shares (or 23,431,622 shares if the underwriters exercise their overallotment option in full).
Use of proceeds	To repay outstanding indebtedness under the $170.0 million revolving credit facility (the Credit Facility) that our wholly-owned subsidiary, Gladstone Business Loan, LLC (Business Loan) entered into with KeyBank National Association (KeyBank) as the administrative agent, and for other general corporate purposes. Amounts repaid under the Credit Facility remain available for future borrowings and we may use the proceeds of future borrowings under the Credit Facility to make investments in accordance with our investment strategy and for other general corporate purposes. As of June 30, 2015, we had $104.6 million of borrowings outstanding under our Credit Facility. As of the date of this prospectus supplement we had $117.1 million outstanding under our Credit Facility. Indebtedness under the Credit Facility currently accrues interest at the rate of 30-day LIBOR plus 3.25% per annum (or 3.44% as of June 30, 2015) through the revolving period end date of January 19, 2019 and is due and payable on or before May 1, 2020. See Use of Proceeds beginning on page S-15 of this prospectus supplement for more information.
NASDAQ Global Select Market ticker symbol	GLAD
Distributions on common stock	Our distributions, if any, are authorized at the discretion of our Board of Directors and are based upon the circumstances at the time of authorization. We currently intend to make distributions to stockholders on a monthly basis (declared quarterly) at the rate of $0.07 per share of

common stock. Because our distributions to common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may also include, and past distributions have included, a return of capital. See Risk Factors Risks Related to an Investment in Our Securities Distributions to our stockholders have included and may in the future include a return of capital in the accompanying prospectus.

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In October 2015, we declared a monthly distribution of $0.07 per common share payable on November 4, 2015 to holders of record as of October 26, 2015. Because the record date for the distribution is before the expected date of settlement, investors who purchase shares of our common stock in this offering will not be entitled to receive such distribution.

Trading at a discount	Shares of closed-end investment companies frequently trade at a discount to their NAV per share. The possibility that our shares may trade at such discount to our NAV per share is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our shares will trade above, at or below NAV per share, although during the past three years, our common stock has generally traded, and at times significantly, at prices below NAV per share. Furthermore, the common stock offered pursuant to this prospectus supplement will be sold at a price below the most recently determined NAV per share range of $9.03 to $9.13.
Risk factors	Investing in our common stock involves risks. You should carefully consider the information in the sections entitled Risk Factors beginning on page S-11 of this prospectus supplement and page 9 of the accompanying prospectus before deciding to invest in our common stock.
Tax Matters	Prospective investors are urged to consult their own tax advisors regarding tax considerations in light of their personal investment circumstances.
	We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to U.S. federal income tax on any ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See Additional Material U.S. Federal Income Tax Considerations beginning on page S-59 of this prospectus supplement and Material U.S. Federal Income Tax Considerations beginning on page 112 of the accompanying prospectus for a discussion of material U.S. federal income tax considerations applicable to an investment in shares of our common stock.

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FEES AND EXPENSES

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

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price) (1)	5.0%
Offering expenses (as a percentage of offering price) (2)	1.36%
Dividend reinvestment plan expenses (3)	None
Total stockholder transaction expenses	6.36%
Annual expenses (as a percentage of net assets attributable to common stock) (4)**:**	
Base Management fee (5)	3.70%
Loan servicing fee (6)	2.02%
Incentive fees payable under the Advisory Agreement (20.0% of realized capital gains and 20.0% of pre-incentive fee net investment income) (7)	2.03%
Interest payments on borrowed funds (8)	2.33%
Dividend expense on mandatorily redeemable preferred stock (9)	2.28%
Other expenses (10)	1.54%
Total annual expenses as a percentage of average net assets	13.90%

(1) This amount represents the expected underwriting discount with respect to shares of our common stock sold by us in this offering.

(2) The expenses of this offering payable by us (other than the underwriting discount) are estimated to be approximately $240,000. The amount of offering expenses, as a percentage of the offering price of shares to be sold in this offering, was based on an assumed public offering price of $8.85 per share, the last reported sales price of our common stock on the NASDAQ Global Select Market (NASDAQ) on October 23, 2015. If the underwriters exercise their overallotment option in full, the offering expenses borne by our stockholders (as a percentage of the offering price) will be approximately 1.2%.

(3) The expenses of the dividend reinvestment plan, if any, are included in other expenses.

(4) The numbers presented in this table are gross of credits to any fees. There can be no guarantee that the Adviser will waive or credit any portion of such fees in the future.

(5) For the quarter ended June 30, 2015, our annual base management fee is 2.0% (0.5% 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 and are estimated by assuming the base management fee remains consistent with fees incurred for the three months ended June 30, 2015. 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. At the end of each quarter, 100.0% of these fees may be voluntarily and irrevocably credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended June 30, 2015, $0.1 million, or 1.5% of total net annual expenses, of these fees were voluntarily and irrevocably credited against the base management fee.

(6) In addition, the Adviser services, administers and collects on the loans held by Business Loan, a wholly-owned subsidiary of ours, in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our Credit Facility. The Loan Servicing Fee is estimated by assuming the Loan Servicing Fee remains consistent with the fees incurred for the three months ended June 30, 2015. For the three months ended June 30, 2015, the total gross loan servicing fees were $1.0 million. The entire loan servicing fee paid to the Adviser by Business Loan is voluntarily 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 2.0% 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 and irrevocable credits described in this footnote and footnote 5 above that are applied against the base management fee, the total annual expenses after fee waivers would be 8.96% for the quarter ended June 30, 2015. See Business Investment Advisory and Management Agreements in the accompanying prospectus and footnote 7 below.

(7) 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 2.0% base management fee (see footnote 5 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through June 30, 2015.

From time to time, the Adviser has voluntarily and irrevocably 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.

(8) In the quarter ended June 30, 2015, we increased the commitment amount under our Credit Facility as well as decreased the marginal interest rate and unused commitment fee. We incurred combined fees of $1.7 million in connection with this amendment and expansion and the amortization of these fees and previously incurred deferred financing fees are included in this line item.

(9) In May 2014, we completed a public offering of 6.75% Series 2021 Term Preferred Stock at a public offering price of $25.00 per share. In the offering, we issued approximately 2.4 million shares of Series 2021 Term Preferred Stock. Dividend expense includes the amounts paid to preferred stockholders during the three months ended June 30, 2015. Also included in this line item is the amortization of the offering costs related to our term

preferred stock offering.

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(10) Other expenses is based on estimated amounts for the current fiscal year and 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 Business Investment Advisory and Management Agreements in the accompanying prospectus.

Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5.00% annual return consisting entirely of ordinary income (1)(2)	$ 213	$ 540	$ 769	$ 1,086
assuming a 5.00% annual return consisting entirely of capital gains (2)(3)	$ 221	$ 555	$ 786	$ 1,094

(1) While the example assumes, as required by the SEC, a 5.00% annual return, our performance will vary and may result in a return greater or less than 5.00%. For purposes of this example, we have assumed that the entire amount of such 5.00% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5.00% annual return is significantly below the hurdle rate of 7.00% (annualized) that we must achieve under the Advisory Agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5.00% annual return on our investments.

(2) While the example assumes reinvestment of all distributions at NAV, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our distribution reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of such 5.00% annual return would constitute capital gains.

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RISK FACTORS

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

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

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

Delays in investing the net proceeds of this offering or redeploying amounts repaid under the Credit Facility may impair our performance. We cannot assure you that we will be able to identify investments that meet our investment objectives or that any investment we make will produce a positive return. We may be unable to invest the net proceeds of this offering on acceptable terms within the time period that we anticipate or at all, which could adversely affect our financial condition and operating results.

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

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

Our NAV may change significantly since our last valuation at June 30, 2015.

Generally, our Board of Directors reviews and approves the fair value of our portfolio of investments on a quarterly basis. The last such quarterly review occurred as of June 30, 2015. Further, our financial statements have not been audited by our independent registered public accounting firm for any periods since September 30, 2014. The fair value of various individual investments in our portfolio and/or the aggregate fair value of our investments may have changed significantly since that time. We are currently in the process of determining the fair value of our portfolio as of September 30, 2015, and based on the preliminary assessment of our Board of Directors, the fair value has declined since June 30, 2015. If our Board of Directors makes a final determination that the fair value of our investment portfolio at September 30, 2015 was less than such fair value at June 30, 2015, then we will record an unrealized loss on our investment portfolio and report a lower NAV per share than is reflected in the Consolidated Selected Financial Data and the financial statements included elsewhere in this prospectus supplement. If our Board of Directors determines that the fair value of our investment portfolio at September 30, 2015 was greater than such fair value at June 30, 2015, we will record an unrealized gain on our investment portfolio and report a greater NAV per share than so reflected elsewhere in this prospectus supplement. Upon publication of this information in connection with our announcement of operating results for our quarter and fiscal year ended September 30, 2015, the market price of our common stock may fluctuate materially, and may be substantially less than the price per share you pay for our common stock in this offering.

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

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from NAV. This characteristic of closed-end investment companies and BDCs is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common stock will trade at, above or below NAV, however our common stock has consistently traded below NAV in the last three years. In addition, if our common stock trades below NAV, we will generally not be able to issue additional common stock at the market price without the approval of our stockholders and Board of Directors, including a majority of our independent directors. At our Annual Stockholders Meeting on February 12, 2015, our stockholders voted to allow us to issue common stock at a price below NAV per share for a one-year period. Our stockholders did not specify a maximum discount below NAV at which we are able to issue our common stock but we are unable to issue and sell more than 25% of our then outstanding common stock immediately prior to any offering below NAV. For instance, we have in the past and may in the future issue shares of our common stock below NAV.

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

We have obtained approval from our stockholders for us to be able to sell an unlimited number of shares of our common stock at any level of discount from NAV per share in certain circumstances during a one-year period ending in February 2016 (subject to a limitation on issuing and selling in a single offering more than 25% of the shares of our common stock outstanding immediately prior to such offering). If we issue or sell shares of our common stock at a discount to NAV, and we intend to so in this offering, it will pose a risk of dilution to our existing stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see Sales of Common Stock Below Net Asset Value in this prospectus supplement and in the accompanying prospectus.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance, conditions and prospects. These factors include:

- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of the companies;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to BDCs or RICs;
- loss of our qualification as a RIC or BDC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;

changes in accounting guidelines governing valuation of our investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of the Adviser s or any of its affiliates key personnel;

operating performance of companies comparable to us;

general economic trends and other external factors such as inflation, oil and gas prices and GDP growth;

price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;

changes in stock index definitions or policies, which may impact an investor s desire to hold shares of BDCs;

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- changes and perceived projected changes in prevailing interest rates;
- short selling pressure with respect to our shares or BDCs generally;
- the announcement of proposed, or contemplated, offerings of our securities, including a rights offering; and
- loss of a major funding source.

It is impossible to provide any assurance that the market price of our common stock will not decline in the future, and it may be difficult for our stockholders to resell their shares of our common stock in the amount or at prices or times that they find attractive, or at all.

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.

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

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as may, might, believe, will, provided, anticipate, future, could, growth, plan, intend, ex seek, possible, potential, likely or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, financial condition or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include:

- adverse changes in the economy and the capital markets;
- risks associated with negotiation and consummation of pending and future transactions;
- the loss of one or more of our executive officers, in particular David Gladstone, Robert L. Marcotte or Terry Lee Brubaker;
- changes in our investment objectives and strategy;
- actual and potential conflicts of interest with our Adviser and other affiliates of the Company
- availability, terms and deployment of capital;
- changes in our industry, interest rates or exchange rates or the general economy;
- our business prospects and the prospects of our portfolio companies;
- the degree and nature of our competition;
- our ability to maintain our qualification as a RIC and as a BDC; and
- those factors described in the Risk Factors sections of this prospectus supplement and the accompanying prospectus.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus supplement or the accompanying prospectus, except as otherwise required by applicable law. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the Securities Act).

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 2,000,000 shares of our common stock that we are offering, after deducting underwriting discounts and commissions and expenses of this offering payable by us, will be approximately $16.6 million (or $19.1 million, if the underwriters exercise their overallotment option in full) based on an assumed public offering price of $8.85 per share, the last reported sales price of our common stock on NASDAQ on October 23, 2015.

We intend to use the net proceeds from this offering to help repay borrowings under the Credit Facility and for other general corporate purposes. Amounts repaid under the Credit Facility remain available for future borrowings and we may use the proceeds of future borrowings under the Credit Facility to make investments in accordance with our investment strategy and for other general corporate purposes. As of June 30, 2015, we had $104.6 million of borrowings outstanding under our Credit Facility. As of the date of this prospectus supplement, we have $117.1 million outstanding under the Credit Facility. Indebtedness under our Credit Facility currently accrues interest at the rate of 30-day LIBOR plus 3.25% (or 3.44% as of June 30, 2015) and the revolving period ends in January 2019 and is due and payable in May 2020. We anticipate that substantially all of the net proceeds of the offering will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of the offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2015:

on an actual basis; and

on an as adjusted basis to give effect to the sale of 2,000,000 shares of common stock in this offering at an assumed per share price of $8.85 per share (the last reported sales price of our common stock on NASDAQ on October 23, 2015) after deducting underwriters discounts and commissions and estimated offering expenses payable by us (and assuming the underwriters overallotment option is not exercised). See Use of Proceeds.

	As of June 30, 2015	
	Actual	As Adjusted
	(Unaudited) (Dollars in thousands)	
Borrowings		
Borrowings at fair value (cost: $104,600, actual; $88,025, as adjusted) (1)(2)	$ 104,600	$ 88,025
Total Borrowings	$ 104,600	$ 88,025
Preferred Stock		
6.75% Series 2021 Cumulative Term Preferred Stock, $0.001 par value per share; $25 liquidation preference per share; 2,460,118 shares authorized and 2,440,000 issued and outstanding, actual and as adjusted (3)	$ 61,000	$ 61,000
Total Preferred Stock	$ 61,000	$ 61,000
Net Assets Applicable to Common Stockholders		
Common stock, $0.001 par value per share, 46,000,000 shares authorized, actual and as adjusted; 21,131,622 shares issued and outstanding, actual and 23,131,622 shares issued and outstanding, as adjusted (3)	$ 21	$ 23
Capital in excess of par value	294,144	310,717
Cumulative net unrealized depreciation on investments	(53,837)	(53,837)
Cumulative net unrealized appreciation on other	(61)	(61)
Net investment income in excess of distributions	(3,873)	(3,873)
Accumulated net realized losses	(35,751)	(35,751)
Total Net Assets Available to Common Stockholders	$ 200,643	$ 217,218
Total Capitalization	$ 366,243	$ 366,243

(1) Our borrowings have not been fair-value adjusted for the as adjusted presentation as of June 30, 2015.
(2) Does not include approximately $12.6 million additional net borrowings we made subsequent to June 30, 2015.
(3) None of these outstanding shares are held by us or for our account.

The following are our outstanding classes of securities as of October 23, 2015:

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY US OR FOR OUR ACCOUNT	AMOUNT OUTSTANDING (EXCLUSIVE OF AMOUNTS HELD BY US OR FOR OUR ACCOUNT)
Common Stock	46,000,000		21,131,622
6.75% Series 2021 Term Preferred Stock	2,460,118		2,440,000

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2015 annual stockholders meeting on February 12, 2015, our stockholders approved our ability to issue and sell shares of our common stock at a price below the then current NAV per common share during a period beginning on February 12, 2015 and expiring on the first anniversary of such date (the Stockholder Approval). The offering of common stock being made pursuant to this prospectus supplement is at a price below our most recently estimated NAV per share range on October 23, 2015 of $9.03 to $9.13 per share. To sell shares of common stock at a price below NAV per share, pursuant to the Stockholder Approval, the 1940 Act mandates that a majority of our directors who have no financial interest in the sale and a majority of our independent directors have determined (i) that such sale and issuance is in our best interests and in the best interests of our stockholders and (ii) immediately prior to issuance, and in good faith and in consultation with the underwriters of the offering, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount.

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

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

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

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

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

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

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

- the potential market impact of being able to raise capital during 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 has also considered the fact that sales of shares of common stock at a discount will benefit the Adviser as the Adviser will ultimately earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at a premium to NAV per share.

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

Stockholders who do not participate in this offering will experience immediate dilution in an amount that may be material in this prospectus supplement and Risk Factors Risks Related to an Investment in Our Securities in the accompanying prospectus.

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

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

Impact on Existing Stockholders Who Do Not Participate in the Offering

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

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The following table illustrates the level of NAV dilution that could be experienced by an existing common stockholder that does not participate in this offering. It is not possible to predict the level of market price decline that may occur. The table below is based upon financial information as of June 30, 2015 except NAV per share, which is based on the midpoint of the range of NAV per share as of October 23, 2015. The following example assumes a sale of 2,000,000 shares of common stock at an assumed public offering price of $8.85 per share, with a 5.00% underwriting discount and commission and $240,000 of estimated offering expenses ($0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

	PRIOR TO SALE BELOW NAV	FOLLOWING SALE	% CHANGE
Offering Price			
Price per common share to public		$ 8.85	
Net proceeds per common share to us		$ 8.29	
Decrease to NAV			
Total common shares outstanding	21,131,622	23,131,622	9.46%
NAV per common share	$ 9.08	$ 9.01	(0.75)
Dilution to Stockholder			
Common shares held by common stockholder	21,132	21,132	
Percentage held by common stockholder	0.10%	0.09%	(8.65)
Total Asset Values			
Total NAV held by common stockholder	$ 191,875	$ 190,427	(0.75)%
Total investment by common stockholder (Assumed to be $9.08 per common share on common shares held prior to sale)	$ 191,875	$ 191,875	
Total dilution to common stockholder (Total NAV less total investment)		$ (1,448)	
Per Share Amounts			
NAV per share held by common stockholder	$ 9.08	$ 9.01	(0.75)
Investment per share held by common stockholder (Assumed to be $9.08 per common share on common shares held prior to sale)	$ 9.08	$ 9.08	
Dilution per common share held by stockholder (NAV per common share less investment per share)		$ (0.07)	
Percentage dilution to common stockholder (Dilution per common share divided by investment per common share)			(0.75)

Impact on Existing Stockholders Who Do Participate in the Offering

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

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The following table illustrates the level of dilution and accretion for a common stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,000 shares, which is 0.05% of the offering rather than its 0.10% proportionate share) and (2) 150% of such percentage (i.e., 3,000 shares, which is 0.15% of the offering rather than its 0.10% proportionate share). The table below is shown based upon financial information as of June 30, 2015 except NAV per share, which is based on the midpoint of the range of NAV per share as of October 23, 2015. The following example assumes a sale of 2,000,000 shares of common stock at an assumed public offering price of $8.85 per share, with a 5.00% underwriting discount and commission and $240,000 of estimated offering expenses ($0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

		50% PARTICIPATION		150% PARTICIPATION	
	PRIOR TO SALE BELOW NAV	**FOLLOWING SALE**	**% CHANGE**	**FOLLOWING SALE**	**% CHANGE**
Offering Price					
Price per common share to public		$ 8.85		$ 8.85	
Net Proceeds per common share to issuer		$ 8.29		$ 8.29	
Decrease to NAV					
Total common shares outstanding	21,131,622	23,131,622	9.46	23,131,622	9.46
NAV per common share	$ 9.08	$ 9.01	(0.75)	$ 9.01	(0.75)
Dilution/Accretion to Common Stockholder					
Common shares held by stockholder	21,132	22,132	4.73	24,132	14.20
Percentage held by common stockholder	0.10%	0.10%	(4.32)	0.10%	4.32%
Total Asset Values					
Total NAV held by common stockholder	$ 191,875	$ 199,439	3.94	$ 217,462	13.33
Total investment by common stockholder (Assumed to be $9.08 per common share on common shares held prior to sale)	$ 191,875	$ 200,725	4.61	$ 218,425	13.84
Total dilution to common stockholder (Total NAV less total investment)		$ (1,286)		$ (964)	
Per Common Share Amounts					
NAV per common share held by stockholder	$ 9.08	$ 9.01	(0.75)	$ 9.01	(0.75)
Investment per common share held by stockholder (Assumed to be $9.08 per common share on common shares held prior to sale)	$ 9.08	$ 9.07	(0.11)	$ 9.05	(0.31)
Dilution per common share held by stockholder (NAV per common share less investment per		$ (0.06)		$ (0.04)	

common share)		
Percentage dilution to stockholder (Dilution per common share divided by investment per common share)	(0.64)	(0.44)

Impact on New Investors

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

The following table illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same percentage (0.10%) of the common shares in the offering as the common stockholder in the prior examples held immediately prior to the offering. These stockholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases. It is not possible to predict the level of market price decline that may occur. The table below is shown based upon financial information as of June 30, 2015 except NAV per share, which is based on the midpoint of the range of NAV per share as of October 23, 2015. The following example assumes a sale of 2,000,000 shares of common stock at an assumed public offering price of $8.85 per share, with a 5.00% underwriting discount and commission and $240,000 of estimated offering expenses ($0.12 per share, net). The numbers in this table have been rounded to the nearest hundredth of one percent.

	PRIOR TO SALE BELOW NAV	FOLLOWING SALE	% CHANGE
Offering Price			
Price per common share to public		$ 8.85	
Net proceeds per common share to issuer		$ 8.29	
Decrease to NAV			
Total common shares outstanding	21,131,622	23,131,622	9.46
NAV per common share	$ 9.08	$ 9.01	(0.75)
Accretion to New Investor			
Common shares held by new investor	0	2000	
Percentage held by new investor	0.0%	0.01%	
Total Asset Values			
Total NAV held by new investor	0	$ 18,023	
Total investment by new investor (At price to public)	0	$ 17,700	
Total accretion to new investor (Total NAV less total investment)		$ 323	
Per Common Share Amounts			
NAV per common share held by new investor		$ 9.01148	
Investment per share held by new investor (At price to public)		$ 8.85	
Accretion per common share held by new investor (NAV per common share less investment per common share)		$ 0.16148	
Percentage accretion to new investor (accretion per common share divided by investment per common			1.82

share)

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

SHARE PRICE DATA

Our common stock is traded on the NASDAQ under the symbol GLAD. The following table reflects, by quarter, the high and low sales prices per share of our common stock on the NASDAQ, the high and low sales prices as a percentage of NAV per share and quarterly distributions declared per share for each quarter since October 1, 2012.

	NAV (1)	SALES PRICE HIGH	SALES PRICE 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, 2013 (3)						
First Quarter	$ 9.17	$ 9.02	$ 7.25	$ 0.21	(1.6)%	(20.9)%
Second Quarter	8.91	9.46	8.24	0.21	6.2	(7.5)
Third Quarter	8.60	9.45	7.76	0.21	9.9	(9.8)
Fourth Quarter	9.81	8.92	8.05	0.21	(9.1)	(17.9)
Fiscal Year ending September 30, 2014 (4)						
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 (5)						
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	*	9.25	7.58	0.21	*	*
Fiscal Year ending September 30, 2016 (6)						
First Quarter (through October 23, 2015)	*	9.09	8.13	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, 2013, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock distributions), which resulted in a partial return of capital of approximately $1.3 million, or approximately $0.06 per share. The return of capital for the year ended September 30, 2013 primarily resulted from accounting principles generally accepted in the U.S. (GAAP) realized losses being recognized as ordinary losses for federal income tax purposes.
(4) For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock distributions), which resulted in a partial return of capital of approximately $15.2 million, or approximately $0.72 per share. The return of capital for the year ended September 30, 2014 primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.
(5) The characterization of the common stockholder distributions declared and paid for the fiscal year ended September 30, 2015 is still being determined based upon taxable income for the full fiscal year and distributions paid during the full fiscal year. These estimates are subject to the completion of our financial closing procedures, including an independent audit, and are therefore not final.
(6) 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 fiscal year and distributions paid during the full fiscal year.
* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.

As of October 23, 2015, there were 37 record owners of our common stock. The last reported sales price of our common stock on NASDAQ on October 23, 2015 was $8.85 per share, representing a 2.53% discount to our estimated NAV per share of $9.08 on October 23, 2015 based on the midpoint in the expected range of between $9.03 and $9.13 per share.

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SUPPLEMENTAL MANAGEMENT INFORMATION

Board of Directors

John H. Outland was appointed to the Audit Committee in October 2014.

David A. R. Dullum, an interested director whose term expired at our annual meeting held in February 2015, did not stand for re-election and, as our result, the size of the Board of Directors decreased to eight members.

Caren D. Merrick was elected to the board of directors of WashingtonFirst Bankshares, Inc. (NASDAQ: WFBI), a bank holding company, in May 2015.

Executive Officers Who Are Not Directors

Michael LiCalsi, 45, has served as our General Counsel since October 2009 and our Secretary since October 2012. Mr. LiCalsi also serves as General Counsel and Secretary for Gladstone Investment, Gladstone Commercial and Gladstone Land. He has been the President of Gladstone Administration, LLC since July 2013 and Managing Principal of Gladstone Securities, LLC since 2010.

Melissa Morrison, 42, currently serves as our Chief Financial Officer and Treasurer. Ms. Morrison served as our Chief Accounting Officer from October 2011 to April 2013, Chief Financial Officer since April 2013 and Assistant Treasurer from July 2014 to January 2015 when she was appointed as our Treasurer. Ms. Morrison previously served as Controller for Tandberg (now known as Cisco Systems) from September 2007 through September 2011.

Committees of the Board of Directors

Valuation Committee. The Board of Directors created the Valuation Committee in July 2015. The Valuation Committee, which is composed of Ms. Merrick, Mr. Outland, Anthony W. Parker and Walter H. Wilkinson, Jr., is responsible for overseeing the implementation and administration of our Valuation Policy. As part of its responsibilities, the Valuation Committee determines the fair value of our investment portfolio or other assets in compliance with the 1940 Act and reports such determinations to the Board of Directors.

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CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data for the fiscal years ended September 30, 2014, 2013, 2012, 2011 and 2010 are derived from our audited consolidated financial statements. The consolidated selected financial data for the nine months ended June 30, 2015 and 2014 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other unaudited data included at the bottom of the table is also unaudited. The data should be read in conjunction with our consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement.

	Nine Months Ended June 30,		Year Ended September 30, (Dollar amounts in thousands, except per share data)				
	2015	**2014**	**2014**	**2013**	**2012**	**2011**	**2010**
Statement of Operations Data:							
Total Investment Income	**$ 27,884**	$ 27,903	**$ 36,585**	$ 36,154	$ 40,322	$ 35,211	$ 35,539
Total Expenses, Net of Credits from Adviser	**(15,664)**	(13,945)	**18,217**	17,768	21,278	16,799	17,780
Net Investment Income	**12,220**	13,958	**18,368**	18,386	19,044	18,412	17,759
Net Realized and Unrealized Gain (Loss) on Investments, Borrowings and Other	**960**	(25,729)	**(7,135)**	13,833	(27,052)	(39,511)	(1,365)
Net Increase (Decrease) in Net Assets Resulting from Operations	**$ 13,180**	$ (11,771)	**$ 11,233**	$ 32,219	$ (8,008)	$ (21,099)	$ 16,394
Per Share Data:							
Net Investment Income per Common Share Basic and Diluted (A)	**$ 0.58**	$ 0.66	**$ 0.87**	$ 0.88	$ 0.91	$ 0.88	$ 0.84
Net Increase (Decrease) in Net Assets Resulting	**0.63**	(0.62)	**0.53**	1.53	(0.38)	(1.00)	0.78

from Operations per Common Share Basic and Diluted (A)							
Cash Distributions Declared Per Common Share	**0.63**	0.63	**0.84**	0.84	0.84	0.84	0.84
Statement of Assets and Liabilities Data:							
Total Assets	**$ 369,261**	$ 282,687	**$ 301,429**	$ 295,091	$ 293,402	$ 317,624	$ 270,518
Net Assets	**200,643**	180,991	**199,660**	205,992	188,564	213,721	249,246
Net Asset Value Per Common Share	**9.49**	8.62	**9.51**	9.81	8.98	10.16	11.85
Common Shares Outstanding	**21,131,622**	21,000,160	**21,000,160**	21,000,160	21,000,160	21,039,242	21,039,242
Weighted Common Shares Outstanding Basic and Diluted	**21,123,202**	21,000,160	**21,000,160**	21,000,160	21,011,123	21,039,242	21,060,351
Senior Securities Data:							
Borrowings under Credit Facility, at cost (B)	**$ 104,600**	$ 35,100	**$ 36,700**	$ 46,900	$ 58,800	$ 99,400	$ 16,800
Mandatorily redeemable preferred stock (B)	**61,000**	61,000	**61,000**	38,497	38,497		
Other Unaudited Data:							
Number of Portfolio Companies at Year End	**46**	49	**45**	47	50	59	39
Average Size of Portfolio Company Investment at Cost	**$ 8,719**	$ 7,151	**$ 7,762**	$ 7,069	$ 7,300	$ 6,488	$ 7,654
Principal Amount of New Investments	**65,348**	72,981	**81,731**	80,418	45,050	110,903	23,245
Proceeds from Loan Repayments and Investments Sold	**28,601**	52,033	**72,560**	117,048	73,857	50,002	85,634
Weighted Average Yield on	**10.8%**	11.6%	**11.5%**	11.6%	11.3%	11.2%	11.0%

Investments (C)							
Total Return (D)	**(5.40)**	20.57	**9.62**	9.90	41.39	(33.77)	37.46

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

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

(C) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year or fiscal period as noted.

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

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SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the eight quarters in the two fiscal years ended September 30, 2014 and September 30, 2013 and the first three quarters of the fiscal year ending September 30, 2015. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the entire fiscal year or for any future quarter.

	Year ending September 30, 2015		
	Quarter Ended December 31, 2014	Quarter Ended March 31, 2015	Quarter Ended June 30, 2015
	(in thousands, except per share data)		
Total investment income	$ 8,726	$ 9,223	$ 9,935
Net investment income	3,691	3,693	4,836
Net increase in net assets resulting from operations	331	9,542	3,307
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.02	$ 0.45	$ 0.16

	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
	(in thousands, except per share data)			
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
	(in thousands, except per share data)			
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	$ 0.40	$ (0.13)	$ (0.10)	$ 1.36

share (basic and diluted)

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in thousands, except per share data or unless otherwise indicated)

You should read the following analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and in the accompanying prospectus. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition, results of operations or percentage relationships for any future periods.

OVERVIEW

General

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

Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our 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 intend for our investment portfolio to consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of June 30, 2015, our investment portfolio was made up of approximately 91.7% debt investments and 8.3% equity investments, at cost.

We focus on investing in small and medium-sized middle market private businesses in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the business, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples and, to a lesser extent, the potential to realize appreciation and gain liquidity in our equity position, if any. We lend to borrowers that need funds for growth capital, to finance acquisitions, or recapitalize or refinance their existing debt facilities. We typically avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We invest by ourselves or jointly with other funds or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

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

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

Business

Portfolio Activity

During the nine months ended June 30, 2015, we invested an aggregate of $65.3 million in seven new proprietary and syndicate investments, resulting in a net expansion in our overall portfolio of one portfolio company, due to one portfolio company paying off early that resulted in a realized gain of $1.6 million, the sale of three syndicated investments for combined proceeds of $6.1 million, and the sale of two of our portfolio companies, one of which was on non-accrual at the time of sale, for net combined proceeds of $10.8 million. We will continue to focus on exiting challenged and non-strategic investments in our portfolio in an orderly manner over the next several quarters.

In July 2012, the SEC granted us an exemptive order that expanded our ability, under certain circumstances, to co-invest with Gladstone Investment Corporation (Gladstone Investment) and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser or any combination of the foregoing subject to the conditions in the SEC s order. We believe this ability to co-invest has enhanced and will continue to enhance our ability to further our investment objectives and strategies. Pursuant to this exemptive order, we co-invested with Gladstone Investment in one new proprietary investment during the nine months ended June 30, 2015, as discussed under *Investment Highlights* .

Capital Raising

Despite the challenges in the economy for the past several years, we have met our capital needs through enhancements to our revolving line of credit (our Credit Facility) and by accessing the capital markets in the form of public offerings of preferred stock. In May 2014, we issued approximately 2.4 million shares of our Series 2021 Term Preferred Stock (for gross proceeds of $61.0 million), which we used to redeem our previously issued 7.125% Series 2016 Term Preferred Stock (Series 2016 Term Preferred Stock) issued in November 2011 and also to repay outstanding borrowings on our Credit Facility. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our term preferred stock. Additionally, in May 2015, we amended and restated our Credit Facility, which included, among other amended terms, decreasing the interest rates on advances, extending the revolving period end date for three years, and expanding the scope of eligible collateral. In June 2015, we increased the total number of committed lenders in our Credit Facility by three and increased the capacity of the Credit Facility from $140.0 million to $170.0 million. Refer to *Recent Developments Expansion of Revolving Credit Facility and Amendment and Extension of Revolving Credit Facility* and *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our revolving line of credit.

Although we were able to access the capital markets in May 2014 with our term preferred stock offering and in February through April 2015 with our at-the-market program (refer to *Recent Developments At-the-Market Program* for further discussion of this program), we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may challenge 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 over the last year, 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.

On July 28, 2015, the closing market price of our common stock was $7.74, a 18.4% discount to our June 30, 2015, NAV per share of $9.49. When our stock trades below NAV per common share, as it has at times traded over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 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.

The current uncertain and volatile economic conditions may also continue to cause the value of the collateral securing some of our loans to fluctuate, as well as the value of our equity investments, 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 the aggregate 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 June 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 that may 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 may 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 that 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 and our senior securities that are stock, (collectively, our Senior Securities).

We expect that, given these regulatory and contractual constraints in combination with current market conditions, the debt and equity capital available to us may not be sufficient in the near term. However, we believe that the amendments to our Credit Facility to decrease the interest rate on advances and extend its revolving period end date until 2019, our expansion of our Credit Facility and our ability to co-invest with Gladstone Investment and certain other affiliated investment funds, has increased our ability to make investments in middle market businesses that we believe will help us achieve attractive long-term returns for our stockholders.

During the quarter ended June 30, 2015, while we did not close any new originations, we have focused on building our pipeline with deals that we believe are generally recession resistant, have steady cash flows, and have strong management teams which can ultimately provide appropriate returns, given the investment risks. As we have demonstrated this quarter and in the past few quarters, we continue to work through some of the older, more challenged investments in our portfolio to enhance overall returns to our stockholders.

Investment Highlights

During the nine months ended June 30, 2015, we invested an aggregate of $65.3 million in seven new portfolio companies and an aggregate of $28.4 million in existing portfolio companies. In addition, during the nine months ended June 30, 2015, we sold our investments in two portfolio companies for combined net proceeds of $10.8 million and we received scheduled and unscheduled principal repayments of approximately $10.1 million in aggregate from existing portfolio companies. Since our initial public offering in August 2001, we have made 391 different loans to, or investments in, 192 companies for a total of approximately $1.4 billion, before giving effect to principal repayments on investments and divestitures.

Investment Activity

During the nine months ended June 30, 2015, we executed the following transactions with certain of our portfolio companies:

Issuances and Originations

During the nine months ended June 30, 2015, we invested an aggregate of $52.8 million in four new proprietary portfolio companies and an aggregate of $12.5 million in three new syndicated portfolio companies. Below are significant issuances and originations during the nine months ended June 30, 2015:

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 Gladstone Investment, which invested an additional $19.6 million under the same terms as us.

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.

In December 2014, we invested $10.0 million, along with 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.

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, IL, 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.

Repayments and Sales

During the nine months ended June 30, 2015, we received principal repayments totaling $10.1 million in the aggregate, consisting of $9.3 million of aggregated unscheduled principal and revolver repayments, as well as $0.8 million in aggregated contractual principal amortization. Below are the significant repayments and exits during the nine months ended June 30, 2015.

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 three months ended December 31, 2014. The resulting internal rate of return at payoff was 18.0%.

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 nine months ended June 30, 2015. Midwest Metal had been on non-accrual status at the time of the sale.

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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.

Refer to Note 13 *Subsequent Events* in the accompanying *Condensed Consolidated Financial Statements* included elsewhere in this prospectus supplement for portfolio activity occurring subsequent to June 30, 2015. Below are the significant originations and exits which occurred subsequent to June 30, 2015:

In July 2015, we invested $7.2 million in Mikawaya, Inc. (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.

In July 2015, we invested $13.0 million in StrataTech Education Group (StrataTech) through a secured first lien debt. StrataTech, headquartered in Phoenix, AZ, operates post-secondary skilled trade institutions through its subsidiaries.

In July 2015, we received $7.2 million from the sale of our syndicated investment in Ardent Medical Services, Inc.

Recent Developments

Expansion of Revolving Credit Facility

On June 19, 2015, we through Gladstone Business Loan, LLC (Business Loan), a wholly owned subsidiary of ours, we 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. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our revolving line of credit.

Amendment and Extension of Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement (our Credit Facility). The amendment included increasing the commitment amount from $137.0 million to $140.0 million, extending the revolving period end date by three years to January 19, 2019, decreasing the marginal interest rate added to 30-day London Interbank Offered Rate (LIBOR) from 3.75% to 3.25% per annum through the revolving period, setting the unused commitment fee at 0.50% on all undrawn amounts and expanding the scope of eligible collateral, among other amended 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 commitments of new or existing lenders. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our Credit Facility.

At-the-Market Program

On February 27, 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. During the nine months ended June 30, 2015, we sold an aggregate of 131,462 shares of our common stock for gross proceeds of $1.2 million. No other shares of common stock have been sold under these Sales Agreements subsequent to June 30, 2015.

Executive Officers

On January 9, 2015, David Watson resigned as the Company s treasurer. On January 13, 2015, our Board of Directors accepted Mr. Watson s resignation and appointed Melissa Morrison, the Company s chief financial officer and then-current assistant treasurer, as the Company s treasurer.

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Registration Statement

On December 1, 2014, we filed Post-effective Amendment No. 4 to our universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-185191) and subsequently filed Post-effective Amendment No. 5 on January 29, 2015, which the SEC declared effective January 30, 2015. Our Registration Statement registers 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 June 30, 2015, we had the ability to issue up to $237.8 million in securities under our Registration Statement through one or more transactions.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2015, to the Three Months Ended June 30, 2014

	Three Months Ended June 30,			
	2015	**2014**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 9,107**	$ 8,184	$ 923	11.3%
Other income	**828**	1,996	(1,168)	(58.5)
Total investment income	**9,935**	10,180	(245)	(2.4)
EXPENSES				
Base management fee	**1,859**	1,461	398	27.2
Loan servicing fee	**1,015**	917	98	10.7
Incentive fee	**1,021**	1,266	(245)	(19.4)
Administration fee	**235**	219	16	7.3
Interest expense on borrowings	**1,033**	710	323	45.5
Dividend expense on mandatorily redeemable preferred stock	**1,029**	937	92	9.8
Amortization of deferred financing fees	**253**	314	(61)	(19.4)
Other expenses	**537**	277	260	93.9
Expenses before credits from Adviser	**6,982**	6,101	881	14.4
Credits to base management fee loan servicing fee	**(1,015)**	(917)	(98)	(10.7)
Credits to fees from Adviser other	**(868)**	(67)	(801)	NM
Total expenses, net of credits	**5,099**	5,117	(18)	(0.4)
NET INVESTMENT INCOME	**4,836**	5,063	(227)	(4.5)
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized (loss) gain on investments and escrows	**(1,075)**	54	(1,129)	NM
Realized loss on extinguishment of debt		(1,297)	1,297	100.0
Net unrealized depreciation of investments	**(1,147)**	(22,849)	21,702	95.0
Net unrealized depreciation (appreciation) of other	**693**	(1,146)	1,839	NM
Net loss from investments and other	**(1,529)**	(25,238)	23,709	93.9

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 3,307**	$ (20,175)	$ 23,482	NM%

NM = Not Meaningful

Investment Income

Interest income increased by 11.3% for the three months ended June 30, 2015, as compared to the prior year period. This increase was due primarily to the seven new investments that we funded during the nine months

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ended June 30, 2015. The interest income from these new investments was partially offset by allowances on certain interest receivables totaling $0.2 million, which reduced interest income during the three months ended June 30, 2015, and resulted in a lower weighted average yield on our portfolio. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2015, was $330.6 million, compared to $285.3 million for the prior year period, an increase of 16.2%. The annualized weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments which decreased to 11.1% for the three months ended June 30, 2015 compared to 11.5% for the three months ended June 30, 2014, inclusive of any allowances on interest receivables made during those periods.

As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $49.2 million, or 13.4%, of the cost basis of all debt investments in our portfolio. Effective April 1, 2015, we placed Saunders & Associates (Saunders) on non-accrual status and effective January 1, 2015, we placed GFRC Holdings, LLC (GFRC) on non-accrual status. Effective January 1, 2015, portions of our investment in Sunshine Media Holdings (Sunshine) were placed on accrual status. As of June 30, 2014, three of our portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately $52.1 million, or 16.2%, of the cost basis of all debt investments in our portfolio. Effective June 1, 2014, we placed Midwest Metal on non-accrual status, which was later exited in December 2014.

For the three months ended June 30, 2015, other income consisted primarily of $0.3 million in success fees prepaid by Defiance Integrated Technologies, Inc. (Defiance), $0.3 million in dividend income and prepaid success fees recorded as a receivable from Southern Petroleum Laboratories, Inc. (SPL) and $0.2 million in dividend income received from Funko, LLC (Funko). Other income for the three months ended June 30, 2014, consisted primarily of $0.7 million in dividend income received from FedCap Partners, LLC (FedCap), $0.5 million in success fees received from the early payoff at par of Thibaut Acquisition Co. (Thibaut), $0.4 million in legal settlement proceeds received related to an investment which was previously sold and $0.2 million in success fees received related to our sale of substantially all of the assets of Lindmark Acquisition, LLC (Lindmark) and the ensuing pay down of our debt investments in Lindmark at par in September 2013.

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

	As of June 30, 2015		**Three Months Ended June 30, 2015**	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
Funko, LLC	$ 31,221	9.0%	$ 444	4.5%
RBC Acquisition Corp.	22,416	6.5	633	6.4
WadeCo Specialties, Inc.	22,173	6.4	527	5.3
Francis Drilling Fluids, Ltd.	21,708	6.2	617	6.2
United Flexible, Inc. (A)	21,335	6.1	487	4.9
Subtotal five largest investments	**118,853**	**34.2**	**2,708**	**27.3**
Other portfolio companies	228,363	65.8	7,226	72.7
Other non-portfolio company revenue			1	
Total Investment Portfolio	**$ 347,216**	**100.0%**	**$ 9,935**	**100.0%**

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	As of June 30, 2014		Three Months Ended June 30, 2014	
Company	Fair Value	% of Portfolio	Investment Income	% of Total Income
J.America, Inc.	$ 17,045	6.4%	$ 473	4.7%
Francis Drilling Fluids, Ltd.	15,677	5.9	459	4.5
AG Transportation Holdings, LLC	12,903	4.9	456	4.5
RBC Acquisition Corp.	12,496	4.7	808	7.9
Defiance Integrated Technologies, Inc.	12,133	4.6	184	1.8
Subtotal five largest investments	**70,254**	**26.5**	**2,380**	**23.4**
Other portfolio companies	194,829	73.5	7,796	76.6
Other non-portfolio company revenue			4	
Total Investment Portfolio	**$ 265,083**	**100.0%**	**$ 10,180**	**100.0%**

(A) New investment during applicable period.

Expenses

Expenses, net of any voluntary, irrevocable and non-contractual credits to fees from the Adviser, decreased slightly by 0.4% for the three months ended June 30, 2015, as compared to the prior year period. This decrease was primarily due to the decrease in the net incentive fee of $1.0 million, which was offset primarily by the increase in interest expense on borrowings of $0.3 million and the increase in the net base management fee of $0.4 million.

Interest expense increased by $0.3 million, or 45.5%, during the three months ended June 30, 2015, as compared to the prior year period, due primarily to an increase in the borrowings outstanding on our Credit Facility during the period. The weighted average balance outstanding on our Credit Facility during the three months ended June 30, 2015, was approximately $109.8 million, as compared to $49.4 million in the prior year period, an increase of 122.3%. This increase was partially offset by the decrease in advance rates on our borrowings effective May 1, 2015, per the recent amendment and restatement of our Credit Facility.

The increase of $0.4 million, or 25.2%, in the net base management fee earned by the Adviser during the three months ended June 30, 2015, as compared to the prior year period, was due primarily to an increase in the average total assets outstanding due to the net growth in our investment portfolio. During the three months ended June 30, 2015, our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit of $0.8 million from the Adviser to reduce the income-based incentive fee to the extent projected net investment income for the fiscal year ended September 30, 2015 did not cover 100.0% of the projected distributions to common stockholders for the fiscal year ended September 30, 2015. No such credit was granted for the three months ended June 30, 2014.

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

	Three Months Ended June 30,	
	2015	**2014**
Average total assets subject to base management fee	**$ 371,800**	$ 292,200
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee	**$ 1,859**	$ 1,461
Portfolio company fee credit	**(73)**	(38)
Senior syndicated loan fee credit	**(41)**	(29)
Net Base Management Fee	**$ 1,745**	$ 1,394
Loan servicing fee	**1,015**	917
Credits to base management fee loan servicing fee	**(1,015)**	(917)
Net Loan Servicing Fee	**$**	$
Incentive fee	**1,021**	1,266
Incentive fee credit (A)	**(754)**	
Net Incentive Fee	**$ 267**	$ 1,266
Portfolio company fee credit	**(73)**	(38)
Senior syndicated loan fee credit	**(41)**	(29)
Incentive fee credit	**(754)**	
Credit to Fees From Adviser other	**$ (868)**	$ (67)

(A) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary 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 three months ended June 30, 2015. No such credit was granted for the three months ended June 30, 2014.

Net Realized and Unrealized Gain (Loss)

Net Realized Loss on Investments and Escrows

For the three months ended June 30, 2015, we recorded a net realized loss on investments and escrows of $1.1 million, which resulted primarily from the exit of our investment in Sunburst during the three months June 30, 2015. For the three months ended June 30, 2014, there was minimal realized activity on investments and escrows.

Net Unrealized Appreciation (Depreciation) of Investments

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the three months ended June 30, 2015, we recorded net unrealized depreciation of investments in the aggregate amount of $1.1 million, which included reversals totaling $2.2 million of cumulative net unrealized depreciation, primarily related to the exit of Sunburst during the period. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the three months ended June 30, 2015, consisted of approximately $1.5 million of depreciation on our debt investments and approximately $1.8 million of depreciation on our equity investments.

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

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

(A) No portfolio company within this category exceeds $250 in absolute value for any column.

The largest driver of our net unrealized depreciation for the three months ended June 30, 2015, excluding reversals, was a decline in financial and operational performance on several portfolio companies, most notably RBC Acquisition Corp. (RBC) of $5.9 million, B+T Group Acquisition Inc. (B+T) of $2.0 million, and Defiance of $1.5 million. This depreciation was partially offset by the improvement in financial and operational performance and the increase in comparable multiples used in the valuation of Funko, LLC (Funko) of $6.2 million.

During the three months ended June 30, 2014, we recorded net unrealized depreciation of investments in the aggregate amount of $22.8 million, which included reversals totaling $0.1 million in cumulative unrealized net appreciation. Excluding reversals, we had $22.7 million in net unrealized depreciation for the three months ended June 30, 2014. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the three months ended June 30, 2014, consisted of approximately $24.4 million of depreciation on our debt investments and approximately $1.7 million of appreciation on our equity investments.

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The net realized gains and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2014, were as follows:

	Three Months Ended June 30, 2014			
Portfolio Company	**Realized Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Appreciation**	**Net Gain (Loss)**
Defiance Integrated Technologies, Inc.	$	$ 2,381	$	$ 2,381
WP Evenflo Group Holdings, Inc.		954		954
Francis Drilling Fluids, Ltd.		712		712
International Junior Golf Training Acquisition Company		554		554
Westland Technologies, Inc.		517		517
Edge Adhesives Holdings, Inc.		511		511
Funko, LLC		329		329
Lignetics, Inc.		299		299
Alloy Die Casting Co.		(459)		(459)
Saunders & Associates		(641)		(641)
Ameriqual Group, LLC		(815)		(815)
FedCap Partners, LLC		(933)		(933)
GFRC Holdings, LLC		(1,201)		(1,201)
Precision Acquisition Group Holdings, Inc.		(3,408)		(3,408)
Midwest Metal Distribution, Inc.		(3,491)		(3,491)
RBC Acquisition Corp.		(18,230)		(18,230)
Other, net (<$250) (A)	54	232	(160)	126
Total:	**$ 54**	**$ (22,689)**	**$ (160)**	**$ (22,795)**

(A) No portfolio company within this category exceeds $250 in absolute value for any column.

The largest driver of our net unrealized depreciation for the three months ended June 30, 2014, was a decline in financial and operating performance and, to a lesser extent, a decrease in comparable multiples used in valuing RBC of $18.2 million, Midwest Metal of $3.5 million and Precision Acquisition Group Holdings, Inc. (Precision) of $3.4 million. This unrealized depreciation for the three months ended June 30, 2014, was partially offset by unrealized appreciation due to an incremental improvement in the financial and operational performance and, to a lesser extent, an increase in comparable multiples used in valuing Defiance of $2.4 million.

Net Unrealized Depreciation (Appreciation) of Other

Net unrealized depreciation (appreciation) of other includes the net change in the fair value of our Credit Facility and our interest rate cap during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. During the three months ended June 30, 2015 and 2014, we recorded net unrealized depreciation of other of $0.7 million and net unrealized appreciation of other of $1.1 million, respectively.

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Comparison of the Nine Months Ended June 30, 2015, to the Nine Months Ended June 30, 2014

	For the Nine Months Ended June 30,			
	2015	**2014**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 25,495**	$ 24,546	$ 949	3.9%
Other income	**2,389**	3,357	(968)	(28.8)
Total investment income	**27,884**	27,903	(19)	(0.1)
EXPENSES				
Base management fee	**5,257**	4,421	836	18.9
Loan servicing fee	**2,802**	2,628	174	6.6
Incentive fee	**2,866**	3,361	(495)	(14.7)
Administration fee	**784**	635	149	23.5
Interest expense on borrowings	**2,735**	1,994	741	37.2
Dividend expense on mandatorily redeemable preferred stock	**3,087**	2,309	778	33.7
Amortization of deferred financing fees	**857**	944	(87)	(9.2)
Other	**1,792**	1,553	239	15.4
Expenses before credits from Adviser	**20,180**	17,845	2,335	13.1
Credits to base management fee loan servicing fee	**(2,802)**	(2,628)	(174)	(6.6)
Credits to fees from Adviser other	**(1,714)**	(1,272)	(442)	(34.7)
Total expenses, net of credits	**15,664**	13,945	1,719	12.3
NET INVESTMENT INCOME	**12,220**	13,958	(1,738)	(12.5)
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized loss on investments and escrows	**(14,515)**	(13,259)	(1,256)	(9.5)
Realized loss on extinguishment of debt		(1,297)	1,297	100.0
Net unrealized appreciation (depreciation) of investments	**14,162**	(9,912)	24,074	NM
Net unrealized depreciation (appreciation) of other	**1,313**	(1,261)	2,574	NM
Net gain (loss) from investments and other	**960**	(25,729)	26,689	NM
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 13,180**	$ (11,771)	$ 24,951	NM%

NM = Not Meaningful

Investment Income

Interest income increased by 3.9% for the nine months ended June 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 and allowances on certain interest receivables totaling $1.1 million, which reduced interest income during the nine months ended June 30, 2015. The weighted average principal balance of our interest-bearing investment portfolio during the nine months ended June 30, 2015, was $315.8 million, compared to $282.7 million for the prior year period, an increase of 11.7%. The annualized weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments and decreased to 10.8% for the nine months ended June 30, 2015 compared to 11.6% for the nine months ended June 30, 2014, inclusive of any allowances on interest receivables made during those periods.

As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $49.2 million, or 13.4%, of the cost basis of all debt investments in our portfolio. Effective April 1, 2015, we placed Saunders on non-accrual status and effective January 1, 2015,

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we placed GFRC on non-accrual status and restored two tranches of Sunshine deb