

GLADSTONE CAPITAL CORP
Form DEF 14A
December 11, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

GLADSTONE CAPITAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

No fee required.

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GLADSTONE CAPITAL CORPORATION

1521 Westbranch Drive, Suite 100, McLean, Virginia 22102

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 11, 2016

To the Stockholders of Gladstone Capital Corporation:

Notice Is Hereby Given that the 2016 Annual Meeting of Stockholders of Gladstone Capital Corporation, a Maryland corporation, will be held on Thursday, February 11, 2016, at 11:00 a.m. local time at the corporate headquarters of The Gladstone Companies, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102 for the following purposes:

- (1) To elect three directors, Paul W. Adelgren, David Gladstone and John H. Outland, to be elected by the holders of common stock and preferred stock, voting together as a single class, with each such director to serve until the 2019 Annual Meeting of Stockholders or until his successor is elected and qualified.
- (2) To approve a proposal to authorize us, with the approval of our Board of Directors, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share, subject to certain limitations set forth herein (including, without limitation, that the number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale).
- (3) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

We intend to mail these materials on or about December 11, 2015 to all stockholders of record entitled to vote at the annual meeting. Our Board of Directors has fixed the close of business on Monday, December 7, 2015, as the record date for the determination of stockholders entitled to notice of and to vote at this annual meeting and at any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be

held on Thursday, February 11, 2016 at 11:00 a.m. local time at the corporate headquarters of

The Gladstone Companies, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102

The proxy statement and annual report to stockholders are also available at www.proxyvote.com.

By Order of the Board of Directors

Michael LiCalsi

General Counsel and Secretary

McLean, Virginia

December 11, 2015

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ALL OF OUR STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE, SUBMIT YOUR PROXY ELECTRONICALLY VIA THE INTERNET, OR VOTE BY PROXY OVER THE TELEPHONE, AS INSTRUCTED IN THESE MATERIALS. SUBMITTING YOUR PROXY OR VOTING INSTRUCTIONS PROMPTLY WILL ASSIST US IN REDUCING THE EXPENSES OF ADDITIONAL PROXY SOLICITATION, BUT IT WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING (AND, IF YOU ARE NOT A STOCKHOLDER OF RECORD, YOU HAVE OBTAINED A LEGAL PROXY FROM THE BANK, BROKER, TRUSTEE OR OTHER NOMINEE THAT HOLDS YOUR SHARES GIVING YOU THE RIGHT TO VOTE THE SHARES IN PERSON AT THE ANNUAL MEETING).

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GLADSTONE CAPITAL CORPORATION

1521 Westbranch Drive, Suite 100, McLean, Virginia 22102

PROXY STATEMENT

FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On February 11, 2016

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this Proxy Statement and the enclosed proxy card because the board of directors (the Board) of Gladstone Capital Corporation (we, us, or the Company) is soliciting your proxy to vote at the 2016 Annual Meeting of Stockholders (the meeting or annual meeting), including adjournments or postponements thereof, if any. You are invited to attend the annual meeting to vote on the proposals described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to vote by proxy over the telephone or through the Internet.

We intend to mail these materials on or about December 11, 2015, to all stockholders of record entitled to vote at the annual meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE YOUR SHARES EITHER BY MAIL, BY TELEPHONE, OR THROUGH THE INTERNET.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON FEBRUARY 11, 2016:

The Notice of Annual Meeting, this Proxy Statement and our annual report for the fiscal year ended September 30, 2015 are available at the following Internet address: www.proxyvote.com.

How can I attend the annual meeting?

The meeting will be held on Thursday, February 11, 2016, at 11:00 a.m. Eastern Standard Time (Eastern Time) at the corporate headquarters of The Gladstone Companies, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102. Directions to the annual meeting may be found at www.gladstonecapital.com. Information on how to vote in person at the annual meeting is discussed below.

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Who can vote at the annual meeting?

Only our stockholders of record at the close of business on December 7, 2015, will be entitled to vote at the annual meeting. On this record date, there were 23,431,622 shares of common stock outstanding and entitled to vote and 2,440,000 shares of preferred stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on December 7, 2015, your shares were registered directly in your name with our transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or through the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Held in the Name of a Broker, Bank, Nominee, or other Similar Organization

If on December 7, 2015, your shares were held, not in your name, but in an account at a brokerage firm, bank, dealer, or other similar organization (collectively, a Brokerage Firm), then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that Brokerage Firm because the Brokerage Firm holding your account or its nominee is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your Brokerage Firm regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your Brokerage Firm.

What am I voting on?

There are two matters scheduled for a vote:

1. Proposal 1, to elect three directors, Paul W. Adelgren, David Gladstone and John H. Outland, to be elected by the holders of common stock and preferred stock, voting together as a single class, with each such director to serve until the 2019 Annual Meeting of Stockholders or until his successor is elected and qualified.
2. Proposal 2, to approve a proposal to authorize us, with the approval of our Board, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share, subject to certain limitations set forth herein (including, without limitation, that the number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale).

We will hold a conference call to discuss the matters scheduled for a vote at this year's annual meeting on January 7, 2016, at 9:00 a.m. Eastern Time. Stockholders will have an opportunity to ask questions regarding the proposals during the conference call. In the U.S. you may call (855) 465-0177 and international callers must dial (484) 756-4311 to enter the conference call. An operator will monitor the call and set a queue for any questions. A conference call replay will be available, beginning two hours after the call concludes, through the date of the annual meeting, Thursday,

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February 11, 2016. To hear the replay, please dial (855) 859-2056 (international callers must dial (404) 537-3406 and use conference number 30937848). The call will also be available via webcast at www.gladstonecapital.com. The webcast replay will also be available through the date of the annual meeting. In the event of any changes in the scheduled date and time of the call, we will issue a press release, which will be available on our website at www.gladstonecapital.com.

Why should I vote my shares?

Under applicable law, we must conduct an annual meeting to allow our stockholders to vote for directors and other matters properly before the meeting. Certain matters listed in this Proxy Statement require a minimum threshold of votes to pass. The number of votes needed to pass each item in this proxy is described below under the question "How many votes are needed to approve each proposal?" When stockholders do not vote their shares promptly on items material to conducting our business, we must spend additional money to contact stockholders seeking their vote. This is very expensive and uses funds that could better benefit our stockholders in other ways. It is important that every stockholder votes promptly so that these expenses are minimized.

How do I vote?

For each nominee to our Board and for Proposal 2, you may vote **FOR** or **AGAINST** or abstain from voting. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, or vote by proxy over the telephone or through the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person, even if you have already voted by proxy.

To vote in person, we will give you a ballot when you arrive at the annual meeting.

To vote using the enclosed proxy card, simply complete, sign, date, and return it promptly in the envelope provided. To be counted, we must receive your signed proxy card by 11:59 p.m. Eastern Time on February 10, 2016, the day prior to the annual meeting.

To vote by proxy over the telephone, dial toll-free, 1-800-690-6903, using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. To be counted, we must receive your vote by 11:59 p.m. Eastern Time on February 10, 2016, the day prior to the annual meeting.

To vote by proxy through the Internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. To be counted, we must receive your vote by 11:59 p.m. Eastern Time on February 10, 2016, the day prior to the annual meeting.

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Beneficial Owner: Shares Held in the Name of Broker, Bank, Nominee, or other Similar Organization

If you are a beneficial owner of shares held in the name of your Brokerage Firm, you should have received a proxy card and voting instructions with these proxy materials from that organization, rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by proxy over the telephone or through the Internet, as instructed by your Brokerage Firm. To vote in person at the annual meeting, you must obtain a valid proxy from your Brokerage Firm. Follow the instructions from your Brokerage Firm, included with these proxy materials, or contact your Brokerage Firm to request a proxy form.

We also provide Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On all matters, you have one vote for each share of common stock and one vote for each share of preferred stock you owned as of the close of business on December 7, 2015.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card, or otherwise vote by proxy without making any voting selections, your shares will be voted **FOR** the election of all nominees for director and **FOR** Proposal 2. If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

Gladstone Capital Corporation will bear the cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and other custodians holding in their names shares of our common or preferred stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of our common or preferred stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, electronic mail or personal solicitation by directors, officers or other regular employees of Gladstone Management Corporation, our investment adviser (the **Adviser**), or Gladstone Administration, LLC (the **Administrator**). No additional compensation will be paid to directors, officers or other regular employees for such services. We have engaged Georgeson, Inc. (**Georgeson**) to solicit proxies for the annual meeting. Georgeson will be paid a fee of approximately \$5,500 plus out-of-pocket expenses for its basic solicitation services, which include review of proxy materials, dissemination of broker search cards, distribution of proxy materials to brokers, banks and institutional holders, and delivery of executed proxies. The term of the agreement with Georgeson will last for the period of the solicitation, and the agreement

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provides that we will indemnify and hold harmless Georgeson against any third party claims, except in the case of Georgeson's gross negligence or intentional misconduct. In addition to these written proxy materials, our proxy solicitor, officers and directors may also solicit proxies in person, by telephone or by other means of communication; however, our officers and directors will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners and obtaining your voting instructions.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts at your bank or broker. Please follow the voting instructions on the proxy cards in the proxy materials to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you wish to revoke your proxy after 11:59 p.m. Eastern Time on February 10, 2016, you may only do so at the annual meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another properly completed proxy card with a later date specified thereon.

You may grant a subsequent proxy by telephone or through the Internet on a later date.

You may send a timely written notice that you are revoking your proxy to our secretary at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102.

You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your Brokerage Firm, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's annual meeting?

We will consider for inclusion in our proxy materials for the 2017 Annual Meeting of Stockholders proposals that we receive not later than August 13, 2016 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and our bylaws, as amended ("Bylaws"). Stockholders must submit their proposals to our secretary at 1521 Westbranch Drive, Suite 100, McLean, Virginia, 22102.

In addition, any stockholder who wishes to propose a nominee to our Board or propose any other business to be considered by the stockholders (other than a stockholder proposal to be included in our proxy materials pursuant to Rule 14a-8 of the 1934 Act) must comply with the advance notice provisions and other requirements of Article II, Section 4(b) of our Bylaws, a copy of which is on file with the U.S. Securities and Exchange Commission ("SEC") and may be obtained from our secretary upon request.

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These notice provisions require that nominations of persons for election to our Board and proposals of business to be considered by the stockholders for the 2017 Annual Meeting of Stockholders must be made in writing and submitted to our secretary at the address above no earlier than November 13, 2016 (90 days before the first anniversary of our 2016 Annual Meeting of Stockholders) and not later than December 13, 2016 (60 days before the first anniversary of the 2016 Annual Meeting of Stockholders). You are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by the inspector of election for the annual meeting who will separately count **FOR**, and **AGAINST** votes in addition to abstentions. The effects of abstentions on each proposal are described below under the question How many votes are needed to approve each proposal? We expect that our chief financial officer and treasurer, Melissa Morrison, and Michael LiCalsi, our general counsel and secretary, will be appointed as the inspectors of election.

How many votes are needed to approve each proposal?

Vote Required

Proposal 1 Election of Directors. Each of Paul W. Adalgren, David Gladstone and John H. Outland must be elected by a majority of votes cast at the annual meeting by holders of our outstanding common stock and preferred stock, voting together as a single class. If you vote **ABSTAIN** with respect to a nominee, your shares will not be voted with respect to such nominee and will have no effect on the outcome of such proposal.

Proposal 2 Authorization, with the approval of our Board of Directors, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share, subject to certain limitations set forth herein (including, without limitation, that the number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale). The affirmative vote of each of the following is required to approve this proposal: (1) a majority of the outstanding common and preferred stock, voting together as a single class (outstanding voting securities); and (2) a majority of our outstanding voting securities that are not held by affiliated persons of the Company. For purposes of this proposal, the Investment Company Act of 1940 (the 1940 Act) defines a majority of the outstanding voting securities as the vote of the lesser of: (1) 67% or more of the voting securities of the Company present at the annual meeting, if the holders of more than 50% of the outstanding voting securities of the Company are present or represented by proxy; or (2) more than 50% of the outstanding voting securities of the Company. Each abstention will have the same effect as an **AGAINST** vote.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if a majority of our total number of outstanding shares of common and preferred stock are represented by stockholders

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present at the meeting or by proxy. On the record date there were 23,431,622 shares of common stock and 2,440,000 shares of preferred stock outstanding and entitled to vote. Thus, 12,935,812 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your Brokerage Firm or other nominee) or if you vote in person at the meeting. Abstentions will be counted towards the quorum requirement. If there is no quorum, the stockholders present and entitled to vote at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in a current report on Form 8-K that we expect to file with the SEC within four business days after the annual meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

What proxy materials are available on the Internet?

The letter to stockholders, Proxy Statement, Form 10-K and annual report to stockholders are also available at www.proxyvote.com.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our Board is divided into three classes. Each class has a three-year term. Vacancies on our Board may be filled only by persons elected by a majority of the remaining directors. A director elected by our Board to fill a vacancy in a class, including any vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified. Currently our Board is comprised of eight directors, six of whom are independent.

Holders of preferred stock are entitled, as a class, to the exclusion of the holders of all other classes of stock, to elect two directors (regardless of the total number of directors serving on our Board). Caren D. Merrick and Walter H. Wilkinson, Jr. were elected, solely by the preferred stockholders, at the Company's 2015 Annual Meeting of Stockholders for a term expiring in 2018, thus neither of the two preferred directorships are up for election at this year's annual meeting.

There are three directors in the class whose term expires in 2016 that have been nominated to stand for re-election: two are independent directors (Mr. Adalgren and Mr. Outland) and one is an interested director (Mr. Gladstone). Proxies cannot be voted for a greater number of persons than the number of nominees named. If elected at the annual meeting, each nominee would serve until the 2019 annual meeting and until his successor is elected and has qualified, or, if sooner, until his death, resignation or removal.

Proposal 1

The Company's Ethics, Nominating & Corporate Governance Committee (the Ethics Committee) nominated three incumbent directors Paul W. Adalgren, David Gladstone and John H. Outland for election by the common and preferred stockholders, voting together as a single class, for a term expiring in 2019.

Each director is elected by a majority of the votes cast at the annual meeting. Shares represented by executed proxies will be voted, if the authority to do so is not withheld, for the election of the three nominees. In the event that any of the nominees should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominees as management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

We encourage directors and nominees for director to attend the annual meeting. One of our directors attended the 2015 Annual Meeting of Stockholders.

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Set forth below is biographical information for each person nominated, each person whose term of office as a director will continue after the annual meeting, each executive officer and certain other officers who are not also directors.

Nominees for a Three-Year Term to Expire at that 2019 Annual Meeting of Stockholders

Name, Address, and Age Disinterested Directors	Position(s)	Term of	Principal	Other
	Held With	Office and	Occupation(s)	Directorships
	Company	Length of Time Served	During the Past	Held by
			Five Years	Director
Paul W. Adelgren (72)	Director	Term expires at 2016 annual meeting. Director since January 2003.	Pastor of Missionary Alliance Church since 1997.	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 100				
McLean, Virginia 22102				
John H. Outland (70)	Director	Term expires at 2016 annual meeting. Director since December 2003.	Private investor since June 2006.	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 100				
McLean, Virginia 22102				

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	Position(s) Held With	Term of Office and Length of Time Served	Principal	Other
			Occupation(s) During the Past Five Years	Directorships Held by Director
Name, Address, and Age Interested Directors	Company			
David Gladstone (73) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia 22102	Chairman of the Board, Chief Executive Officer	Term expires at 2016 annual meeting. Director since our inception in 2001.	Founder, Chief Executive Officer and Chairman of the Board since our inception in 2001. President from February 2013 through December 2013. Founder, Chief Executive Officer and Chairman of Gladstone Investment Corporation since its inception in 2005, Gladstone Commercial Corporation since its inception in 2003, and Gladstone Land Corporation since its inception in 1997. Founder, Chief Executive Officer and Chairman of the board of directors of our Adviser. Since 2010, Mr. Gladstone has also served on the board of managers of Gladstone Securities, LLC, a broker dealer that is an affiliate of the Company.	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation

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Name, Address, and Age Disinterested Directors	Position(s)	Term of	Principal	Other Public
	Held With	Office and	Occupation(s)	Company
	Company	Length of Time Served	During the	Directorships
			Past Five Years	Held by
				Director During the Past Five Years
Michela English (65)	Director	Term expires at 2017 annual meeting.	President and Chief	Gladstone
Gladstone Capital Corporation		Director since June 2002.	Executive Officer of Fight for Children, a non-profit charitable organization focused on providing high-quality education and health care services to underserved youth in Washington, D.C., since June 2006.	Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation
1521 Westbranch Drive				
Suite 100				
McLean, Virginia, 22102				
Anthony W. Parker (70)	Director	Term expires at 2017 annual meeting.	Founder and Chairman of the Board of Parker Tide Corp. (formerly known as Snell Professional Corp. and Medical Funding Corporation), a government contracting company providing mission critical solutions to the Federal Government, since 1997.	Gladstone
Gladstone Capital Corporation		Director since our inception in 2001.		Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation
1521 Westbranch Drive				
Suite 100				
McLean, Virginia, 22102				

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Name, Address, and Age Disinterested Directors	Position(s)	Term of	Principal	Other Public Company
	Held With Company	Office and Length of Time Served	Occupation(s) During the Past Five Years	Directorships Held by Director During the Past Five Years
Walter H. Wilkinson, Jr. (69) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia, 22102	Director	Term expires at 2018 annual meeting. Director since October 2014.	Founder and General Partner of Kitty Hawk Capital, a venture capital firm, since 1980. Board member of RF Micro Devices from 1992 until September 2014. Board member of QORVO, Inc. since September 2014. Board member of the N.C. State University Foundation since June 2007. Board member of the Carolinas Chapter of the National Association of Corporate Directors since July 2012 and Chairman of the Board of Directors from July 2012 until August 2014.	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation; RF Micro Devices; QORVO, Inc.
Caren D. Merrick (55) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia 22102	Director	Term expires at 2018 annual meeting. Director since November 2014.	Founder and Chief Executive Officer of Pocket Mentor, a mobile application and digital publishing company focused on leadership development and career advancement, since 2014. Partner with Bibury Partners, an investment and advisory firm that focuses on enterprise and	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone Investment Corporation; Washington First Bankshares, Inc.

consumer technology
sectors since 2004. Board
member of the
Metropolitan Washington
Airports Authority since
2012 and WashingtonFirst
Bankshares, Inc. since
May 2015.

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Name, Address, and Age	Position(s)	Term of	Principal	Other Public Company
	Held With	Office and	Occupation(s)	Directorships
	Company	Length of Time Served	During the	Held by
			Past Five Years	Director During the Past Five Years
Interested Director				
Terry Lee Brubaker (72)*	Vice Chairman,	Term expires at	Vice Chairman since	Gladstone
Gladstone Capital Corporation	Chief Operating Officer	2018 annual meeting. Director since our inception in 2001.	2004. Our Chief Operating Officer since our inception in 2001 and of Gladstone Investment Corporation and Gladstone Commercial Corporation since 2005 and 2003, respectively, and Secretary of the same until October 2012. Vice Chairman of Gladstone Investment Corporation and Gladstone Commercial Corporation since 2005 and 2007, respectively. Vice Chairman, and Chief Operating Officer of our Adviser since 2006 and Secretary of our Adviser from 2006 until February 2011. Vice Chairman and Chief Operating Officer of Gladstone Land Corporation since April 2007.	Gladstone Commercial Corporation; Gladstone Land Corporation; Gladstone
1521 Westbranch Drive	and Assistant			Gladstone
Suite 100	Secretary			Investment Corporation
McLean, Virginia, 22102				

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Name, Address, and Age	Position(s) Held With Company	Term of Office and Length of Time Served	Principal Occupation(s)
			During the Past Five Years
Michael LiCalsi (45) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia 22102	General Counsel and Secretary	General Counsel since October 2009; Secretary since October 2012.	General Counsel for all of the Gladstone affiliated companies since October 2009. Secretary of all of the Gladstone affiliated companies since October 2012. President of Gladstone Administration, LLC since July 2013. Managing Principal of Gladstone Securities, LLC and member of its board of managers since 2010.
Robert L. Marcotte (57) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia 22102	President	President since January 2014.	President since January 2014. Executive Vice President and Co-Head of Asset Management with MCG Capital Corp. from 2007 to December 2013.
Melissa B. Morrison (42) Gladstone Capital Corporation 1521 Westbranch Drive Suite 100 McLean, Virginia 22102	Chief Financial Officer; Treasurer	Chief Accounting Officer from October 2011 to April 2013; Chief Financial Officer since April 2013. Assistant Treasurer from July 2014 to January 2015 when appointed Treasurer.	Chief Accounting Officer from October 2011 to April, 2013 when appointed Chief Financial Officer. Appointed Assistant Treasurer in July 2014 and Treasurer in January 2015. Chief Financial Officer and Treasurer of Gladstone Investment Corporation from January 2015 to July 2015. Controller for Tandberg, Inc. (now known as Cisco Systems, Inc.) from September 2007 through September 2011.

* Messrs. Gladstone and Brubaker are interested persons of Gladstone Capital Corporation, within the meaning of the 1940 Act, due to their positions as officers of the Company, and our Adviser and their employment by our Adviser.

Qualifications of Director Nominees

When considering whether our director nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our operational and organizational structure, the Ethics Committee and our Board focused primarily on the information discussed in each of the individual backgrounds set forth above and on the following particular attributes:

Mr. Adलगren was selected to serve as an independent director on our Board, and as a nominee for another directorship term, due to his strength and experience in ethics as well as his past service on

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our Board since 2003. Mr. Adelgren's strength in ethics led to his appointment as the chairman of our Ethics Committee.

Mr. Gladstone was selected to serve as a director on our Board, and as a nominee for another directorship term, due to the fact that he is our founder and has greater than thirty years of experience in the industry, including his service as our chairman and chief executive officer since our inception and as our president from February 2013 through December 2013.

Mr. Outland was selected to serve as an independent director on our Board, and as a nominee for another directorship term, due to his more than twenty years of experience in the real estate and mortgage industry.

Qualifications of Incumbent Directors Serving Until the 2017 or 2018 Annual Meeting of Stockholders

When considering whether our directors have the experience, qualifications, attributes and skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our operational and organizational structure, the Ethics Committee and our Board focused primarily on the information discussed in each of the individual backgrounds set forth above and on the following particular attributes:

Mr. Brubaker was selected to serve as a director on our Board due to his more than thirty years of experience in various mid-level and senior management positions at several corporations as well as his past service on our Board since our inception.

Ms. English was selected to serve as an independent director on our Board due to her greater than twenty years of senior management experience at various corporations and non-profit organizations as well as her past service on our Board since 2002.

Ms. Merrick was selected to serve as an independent director on our Board due to her knowledge and experience in operating a business and her understanding of the small business area through experiences overseeing the successful growth of her own business and several large and small businesses, charities and non-profits.

Mr. Parker was selected to serve as an independent director on our Board due to his expertise and experience in the field of corporate taxation as well as his past service on our Board since our inception in 2001. Mr. Parker's knowledge of corporate tax was instrumental in his appointment to the chairmanship of our Audit Committee.

Mr. Wilkinson was selected to serve as an independent director on our Board due to his vast experience in various areas of the investment industry as well as his experience in serving on boards of various organizations.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR

EACH NAMED NOMINEE FOR DIRECTOR IN PROPOSAL 1.

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INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

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

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

Meetings of the Board of Directors

Our Board met four times during the last fiscal year. Each Board member attended 75% or more of the aggregate of the meetings of our Board and of the committees on which he or she served that were held during the period for which he or she was a director or committee member.

Our independent directors met four times during fiscal year 2015 in regularly scheduled executive sessions, at which only independent directors were present, satisfying applicable NASDAQ listing standards, which require regularly scheduled meetings of independent directors.

Corporate Leadership Structure

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

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

Information Regarding Committees of the Board of Directors

Our Board has five committees: an Audit Committee, a Compensation Committee, an Executive Committee, an Offering Committee and an Ethics, Nominating and Corporate Governance Committee. The following table shows the current composition of each of the committees of our Board:

Name	Ethics, Nominating and Corporate Governance					Valuation
	Audit	Compensation	Governance	Executive	Offering	
Paul W. Adelgren**		X	*X			
Terry Brubaker				X	X	
Michela A. English	X					
David Gladstone				*X	*X	
Caren D. Merrick	X					*X
John H. Outland	X	*X	X			X
Anthony W. Parker	*X			X	X	X
Walter H. Wilkinson, Jr.		X	X			X

* Committee Chairperson

** Lead Independent Director

Below is a description of each committee of our Board. All committees other than the Executive Committee have the authority to engage legal counsel or other experts or consultants as they deem appropriate to carry out their responsibilities. Our Board has determined that each member of the Audit, Compensation and Ethics, Nominating and Corporate Governance Committees meets the applicable NASDAQ rules and regulations regarding independence of such committees' members and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to us.

Audit Committee

The Audit Committee oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. It evaluates the performance and assesses the qualifications of the independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or

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

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

Compensation Committee

The Compensation Committee operates pursuant to a written charter that is available to stockholders on our website at www.gladstonecapital.com. The Compensation Committee conducts periodic reviews of our investment advisory and management agreement with our Adviser (the Advisory Agreement) and our administration agreement with our Administrator (the Administration Agreement) to evaluate whether the fees paid to our Adviser and our Administrator under the agreements are in the best interests of us and our stockholders. The committee considers in such periodic reviews, among other things, whether the fees paid to our Adviser and our Administrator are reasonable in relation to the nature and quality of services

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performed and whether the provisions of the Advisory and Administration Agreements are being satisfactorily performed. The Compensation Committee also reviews with management our Compensation Discussion and Analysis to consider whether to recommend that it be included in proxy statements and other filings. During the last fiscal year, the Compensation Committee was composed of Messrs. Outland (Chairperson), Adalgren and Wilkinson (with Mr. Wilkinson appointed to the committee in October 2014). Mr. Parker and Ms. English and Merrick currently serve as alternate members of the Compensation Committee. Alternate members of the Compensation Committee serve and participate in meetings of the Compensation Committee only in the event of an absence of a regular member of the Compensation Committee. The Compensation Committee met four times during the last fiscal year.

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

Compensation Committee Interlocks and Insider Participation

During the last fiscal year, the Compensation Committee was composed of Messrs. Outland (Chairperson), Adalgren and Wilkinson (appointed to the committee in October 2014). Mr. Parker and Ms. English and Merrick currently serve as alternate members of the Compensation Committee. None of the aforementioned persons have ever served as one of our executive officers. Further, none of our executive officers has ever served as a member of the compensation committee or as a director of another entity any of whose executive officers served on our Compensation Committee.

Ethics, Nominating and Corporate Governance Committee

The Ethics Committee is responsible for identifying, reviewing and evaluating candidates to serve as our directors (consistent with criteria approved by our Board), reviewing and evaluating incumbent directors, recommending to our Board for selection candidates for election to our Board, making recommendations to our Board regarding the membership of the committees of our Board, assessing the performance of our Board, and developing our corporate governance principles. Our Ethics Committee charter can be found on our website at www.gladstonecapital.com. During fiscal year 2015, membership of the Ethics Committee was composed of Messrs. Adalgren (Chairperson), Outland and Wilkinson (appointed to the committee in October 2014). Mr. Parker and Ms. English and Merrick currently serve as alternate members of the committee. Alternate members of the Ethics Committee serve and participate in meetings of the committee only in the event of an absence of a regular member of the committee. Each member and alternate member of the Ethics Committee is independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Ethics Committee met four times during the last fiscal year.

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Information Regarding the Process for Nominating Director Candidates

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

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

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

Stockholder Recommendation of Director Candidates to the Ethics, Nominating and Corporate Governance Committee

The Ethics Committee will consider director candidates recommended by stockholders. The Ethics Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not. Stockholders who wish to recommend individuals for consideration by the Ethics Committee to become nominees for election to our Board may do so by delivering a written recommendation to our secretary at the address set forth on the cover page of this Proxy Statement and containing the information required by our Bylaws.

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For nominations for election to our Board to be properly brought before an annual meeting by a stockholder, the stockholder must comply with the advance notice provisions and other requirements of Article II, Section 4 of our Bylaws. These notice provisions require that nominations for directors for the 2017 Annual Meeting must be received no earlier than November 13, 2016 (90 days before the first anniversary of our 2016 Annual Meeting of Stockholders) and not later than December 13, 2016 (60 days before the first anniversary of our 2016 Annual Meeting of Stockholders).

Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. To date, the Ethics Committee has not received or rejected a timely director nominee proposal from a stockholder or stockholders.

Stockholder Communications with the Board of Directors

Our Board has adopted a formal process by which our stockholders may communicate with our Board or any of our directors. Persons interested in communicating their concerns or issues may address correspondence to our Board, to a particular director, or to the independent directors generally, in care of Gladstone Capital Corporation, Attention: Investor Relations, at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102. This information is also contained on our website at www.gladstonecapital.com.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics (the "Code") that applies to all of our officers and directors and to the employees of our Adviser and our Administrator. The Ethics Committee reviews, approves and recommends to our Board any changes to the Code. It also reviews any violations of the Code and makes recommendations to our Board on those violations. The Code is available on our website at www.gladstonecapital.com. If we make any substantive amendments to the Code or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website.

The Executive Committee

The Executive Committee, which is composed of Messrs. Gladstone (Chairman), Brubaker and Parker, has the authority to exercise all powers of our Board except for actions that must be taken by a majority of independent directors or the full Board under applicable rules and regulations. The Executive Committee did not meet during the last fiscal year.

The Offering Committee

The Offering Committee, which is composed of Messrs. Gladstone (Chairman), Brubaker and Parker, with each of our other current and future independent directors serving as alternates for Mr. Parker, is

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responsible for assisting our Board in discharging its responsibilities regarding the offering from time to time of our securities. The Offering Committee has all powers of our Board that are necessary or appropriate and may lawfully be delegated to the Offering Committee in connection with an offering of our securities. Our Offering Committee was formed in January 2013, and operates pursuant to a written charter, which can be found in the Corporate Governance section of our website at www.gladstonecapital.com. The Offering Committee did not meet during the last fiscal year.

The Valuation Committee

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

Oversight of Risk Management

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

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

Audit Committee: Our Audit Committee oversees the management of enterprise risks. To this end, our Audit Committee meets at least annually (i) to discuss our risk management guidelines, policies and exposures and (ii) with our independent registered public accounting firm to review our internal control environment and other risk exposures.

Compensation Committee: Our Compensation Committee oversees the management of risks relating to the fees paid to our Adviser and Administrator under the Advisory Agreement and the Administration Agreement, respectively. In fulfillment of this duty, the Compensation Committee meets at least annually to review these agreements. In addition, the Compensation Committee reviews the performance of our Adviser and our Administrator to determine whether the fees paid to our Adviser and Administrator were reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory Agreement and the Administration Agreement were being satisfactorily performed.

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Ethics, Nominating and Corporate Governance Committee: Our Ethics Committee manages risks associated with the independence of our Board and potential conflicts of interest.

Valuation Committee: Our Valuation Committee manages risks associated with valuation of our investment portfolio and other assets. In addition the Valuation Committee facilitates communication between the Board, our senior and financial management and our independent public accountants related to valuation matters.

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

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PROPOSAL 2

TO AUTHORIZE US, WITH THE APPROVAL OF OUR BOARD OF DIRECTORS, TO ISSUE AND SELL SHARES OF OUR COMMON STOCK (DURING THE NEXT 12 MONTHS) AT A PRICE BELOW ITS THEN CURRENT NET ASSET VALUE PER SHARE, SUBJECT TO CERTAIN LIMITATIONS SET FORTH HEREIN (INCLUDING, WITHOUT LIMITATION, THAT THE NUMBER OF SHARES ISSUED AND SOLD PURSUANT TO SUCH AUTHORITY DOES NOT EXCEED 25% OF OUR THEN OUTSTANDING COMMON STOCK IMMEDIATELY PRIOR TO EACH SUCH SALE)

Stockholder Authorization

The 1940 Act generally prohibits us, as a business development company (BDC), from issuing and selling shares of our common stock at a price below the then current net asset value (NAV) per share, with certain exceptions. One such exception would permit us to issue and sell shares of our common stock at a price below NAV per share at the time of sale if our stockholders approve our ability to conduct such an offering within the one year period immediately prior to any such sale, provided that our Board makes certain determinations prior to any such sale.

Accordingly, we are seeking the approval of our stockholders so that we may, in one or more public or private offerings, issue and sell shares of our common stock at a price below our then current NAV per share. It should be noted that the maximum number of shares that we could issue and sell at a per share price below NAV per share pursuant to this authority would be limited to 25% of our then outstanding common stock immediately prior to each such sale. If approved, the authorization would be effective for a period expiring on the first anniversary of the date of the stockholders approval of this proposal and would permit us to engage in such transactions at various times within that 12-month period, subject to further approval from our Board.

Generally, common stock offerings are priced based on the market prices of the outstanding shares of common stock. Because over the last two years our common stock has often, and at times significantly, traded at a market price below NAV per share, stockholder approval would permit us to issue and sell shares of our common stock in accordance with pricing standards that market conditions generally require, and would also assure stockholders that the number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale. If stockholders approve this proposal, we should have greater flexibility in taking advantage of changing market and financial conditions in connection with an equity offering.

On February 27, 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or sales agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent , to issue securities through the sales agreements in an amount up to \$50 million. As of the date of this Proxy Statement, we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of approximately \$48.8 million shares of our common stock (the ATM Program). We will not make any sales under our ATM Program until our registration statement is amended and becomes effective. Our Board determines quarterly the parameters under which such shares in the ATM Program may be sold at below the then current NAV and will determine next the parameters under which shares are to be sold at its January 2016 meeting.

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The gross proceeds raised, the related sales agent commissions, the offering expenses and the average price at which shares have been issued under the ATM Program are as follows:

Fiscal Year 2015 Issuance of Common Stock	Number of Shares	Gross Proceeds	Sales Commission	Offering Expenses	Average Offering Price
Second Quarter ended March 31, 2015	67,151	\$ 593,099	\$ 11,862	\$ 172,200	\$ 8.82
Third Quarter ended June 30, 2015	64,311	575,999	11,520	8,839	8.96
Fourth Quarter ended September 30, 2015*				63,973	
Total	131,462	\$ 1,169,098	\$ 23,382	\$ 245,012	\$ 8.88

* No shares were sold under the ATM in the Fourth Quarter of fiscal year 2015.

The shares sold under the ATM Program were all sold at a discount to the then estimated net asset value (NAV) per share. The following chart documents all sales under the ATM Program:

Settlement Date	Number of Shares Sold	Public Offering Price per Share	Estimated NAV Per Share at Issuance	Average Percentage Dilution
March 10, 2015 - March 26, 2015	67,151	\$ 8.73-9.09	\$ 9.24-9.53	(0.01)%
April 2, 2015 - April 29, 2015	64,311	\$ 8.93-8.90	\$ 9.52-9.55	0.00%

On October 30, 2015 and November 5, 2015, we closed a public offering of 2,300,000 shares of common stock at a price below the then current NAV per common share. The net dilutive effect of our issuance of common stock in this offering was \$.10, or 1.1% per share.

Reasons to Issue and Sell Common Stock Below NAV

We believe that market conditions will continue to provide opportunities to invest new capital at potentially attractive returns. Although we are seeing increased stability over recent months, for the past several years, U.S. credit markets, including many lending institutions, have experienced significant difficulties resulting from the recent U.S. fiscal crisis and current lingering economic conditions from the 2008 recession. This has contributed to significant stock price volatility for capital providers such as our Company and has made access to capital more challenging for many smaller businesses. However, these changes in the credit market conditions also have beneficial effects for capital providers like us because small business are selling for lower prices, are generally willing to pay higher interest rates and to accept more contractual terms that are more favorable to us in their investment agreements. Accordingly, for firms that continue to have access to capital, we believe that the current environment should provide investment opportunities on more favorable terms than have been available in recent periods. Our ability to take advantage of these opportunities is dependent upon our access to equity capital.

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As a BDC and a regulated investment company (RIC) for tax purposes, we are dependent on our ability to raise capital through the issuance of common stock. RICs generally must distribute substantially all of their earnings to stockholders as dividends in order to achieve pass-through tax treatment, which prevents us from using those earnings to support new investments. Further, BDCs must maintain an asset coverage ratio of 200% under the 1940 Act, which requires us to finance our investments with at least as much equity as debt in the aggregate. We maintain sources of liquidity through a portfolio of liquid assets and other means but generally attempt to remain close to fully invested and do not hold substantial cash for the purpose of making new investments. Therefore, to continue to build our investment portfolio, and thereby have the ability to support the maintenance of our dividends, we endeavor to maintain consistent access to capital through the public and private equity markets enabling us to take advantage of investment opportunities as they arise.

Furthermore, failing to maintain asset coverage ratio of at least 200% on senior securities representing indebtedness and 200% on senior securities that are stock could have severe negative consequences for a BDC, including the inability to pay distributions to its stockholders, breaching debt covenants and failure to qualify for tax treatment as a RIC. Although our Company does not currently expect that it will fail to maintain asset coverage of at least 200% with respect to senior securities representing indebtedness and with respect to senior securities that are stock as such asset coverage ratio is defined in the 1940 Act, the markets in which we operate and the economy remains volatile and uncertain. Continued volatility in the capital markets and the resulting negative pressure on debt investment valuations could negatively impact our Company s asset valuations, stockholders equity and our Company s debt to equity ratio.

Since our initial public offering in 2001, our common stock has traded both at a premium and at a discount in relation to its NAV. The following table lists, for each quarter of the last three fiscal years, the high and low intraday sales prices for our common stock and the intraday sales price as a percentage of NAV. On December 7, 2015, the last reported closing sale price of our common stock was \$8.35 per share.

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	NAV (1)	Intraday Sales Price		Premium / (Discount) of High Sales Price to NAV (2)	Premium / (Discount) of Low Sales Price to NAV (2)
		High	Low		
<i>Fiscal Year ended September 30, 2013</i>					
First Quarter	\$ 9.17	\$ 9.02	\$ 7.25	(1.6)%	(20.9)%
Second Quarter	\$ 8.91	\$ 9.46	\$ 8.24	6.2%	(7.5)%
Third Quarter	\$ 8.60	\$ 9.45	\$ 7.76	9.9%	(9.8)%
Fourth Quarter	\$ 9.81	\$ 8.92	\$ 8.05	(9.1)%	(17.9)%
<i>Fiscal Year ended September 30, 2014</i>					
First Quarter	\$ 10.10	\$ 9.92	\$ 8.60	(1.8)%	(14.9)%
Second Quarter	\$ 9.79	\$ 10.37	\$ 9.27	5.9%	(5.3)%
Third Quarter	\$ 8.62	\$ 10.21	\$ 9.41	18.4%	9.2%
Fourth Quarter	\$ 9.51	\$ 10.27	\$ 8.06	8.0%	(15.2)%
<i>Fiscal Year ended September 30, 2015</i>					
First Quarter	\$ 9.31	\$ 9.41	\$ 8.02	1.1%	(13.9)%
Second Quarter	\$ 9.55	\$ 9.10	\$ 7.25	(4.7)%	(24.1)%
Third Quarter	\$ 9.49	\$ 8.99	\$ 7.84	(5.3)%	(17.4)%
Fourth Quarter	\$ 9.06	\$ 9.25	\$ 7.58	2.1%	(16.3)%

- (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 sales prices during such quarter. The per share NAVs shown above are based on outstanding shares at the end of each period.
- (2) Calculated as the difference between the NAV per share and the respective high or low intraday sales price, divided by NAV per share.

The current volatility in the credit market and the uncertainty surrounding the U.S. economy has led to significant stock market fluctuations, particularly with respect to the stock of financial services companies like our Company. During times of increased price volatility, our common stock may be more likely to trade at a price below its NAV per share, which is not uncommon for BDCs like us. As noted above, however, the current market dislocation has created, and we believe will continue to create, favorable opportunities to invest in small businesses, including opportunities that we believe may increase NAV over the longer-term, even if financed with the issuance of common stock below NAV per share. We expect that attractive investment opportunities will require us to make an investment commitment quickly. Because we generally attempt to remain fully invested and do not intend to maintain cash for the purpose of making these investments, we may be unable to capitalize on investment opportunities presented to us unless we are able to raise capital quickly. We believe that stockholder approval of the proposal to issue and sell shares below NAV per share subject to the conditions detailed below will provide us with the flexibility to invest in such opportunities.

Our Board believes that having the flexibility to possibly issue and sell shares of our common stock below NAV per share in certain instances is in the best interests of our Company and its stockholders and would provide added financial flexibility to comply with BDC, RIC and credit facility requirements our

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Company and its subsidiaries may face from time to time, including the requirement to maintain asset coverage of at least 200% on senior securities representing indebtedness and 200% on senior securities that are stock, and would provide access to capital markets to pursue attractive investment opportunities, repay any outstanding indebtedness or for other corporate purposes. The flexibility to issue and sell shares of our common stock below NAV per share could also minimize the likelihood that our Company would be required to sell assets that we would not otherwise sell, which sales could occur at times that are disadvantageous to our Company. Our Board further believes that having the flexibility to issue and sell our common stock below NAV per share in certain instances is in the best interests of stockholders. If we are unable to access the capital markets as attractive investment opportunities arise, our ability to grow over time and continue to pay steady or increasing dividends to stockholders could be adversely affected. It could also have the effect of forcing us to sell assets that we would not otherwise sell, and such sales could occur at times that are disadvantageous to sell. Our Board also believes that increasing our assets will lower our expense ratio by spreading our fixed costs over a larger asset base. The issuance and sale of additional common stock might also enhance the liquidity of our common stock on the NASDAQ Global Select Market. Additionally, while it is possible for a BDC to issue and sell its shares through a transferable rights offering at a price that is below NAV per share, such offerings may ultimately be at a discount greater than in an offering of our shares at a market price below our NAV per share, thus we believe that having the ability to issue and sell our common stock below NAV per share in accordance with the terms of this proposal would, in many instances, be preferable to such an issuance pursuant to a transferable rights offering.

Offerings Below NAV

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 an offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis.

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

existing common stockholders who do not purchase any shares in an offering;

existing common stockholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in an offering; and

new investors who become common stockholders by purchasing shares in an offering.

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

Our existing common stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an

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immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. 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 will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increase. Further, if current stockholders do not purchase sufficient shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV, their voting power will be diluted.

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

The examples assume that we have 1,000,000 common shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The current NAV and NAV per share are thus \$10,000,000 and \$10.00, respectively. The table illustrates the dilutive effect on a nonparticipating stockholder of (1) an offering of 50,000 shares (5% of the outstanding shares) at \$9.50 per share after offering expenses and commission (a 5% discount from NAV), (2) an offering of 100,000 shares (10% of the outstanding shares) at \$9.00 per share after offering expenses and commissions (a 10% discount from NAV) and (3) an offering of 250,000 shares (25% of the outstanding shares) at \$7.50 per share after offering expenses and commissions (a 25% discount from NAV). The prospectus or related prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares of common stock in such offering and the actual discount to the most recently determined NAV.

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

(Assumed to be \$10.00 per Share)						
Total Dilution to Common Stockholder (Total NAV Less Total Investment)	\$	(200)	\$	(900)	\$	(5,000)
Per Share Amounts						
NAV Per Share Held by Common Stockholder	\$	9.98	\$	9.91	\$	9.50
Investment per Share Held by Common Stockholder						
(Assumed to be \$10.00 per Share on Shares Held prior to Sale)	\$	10.00	\$	10.00	\$	10.00
Dilution per Share Held by Common Stockholder (NAV per Share Less Investment per Share)	\$	(0.02)	\$	(0.09)	\$	(0.50)
Percentage Dilution to Common Stockholder (Dilution per Share Divided by Investment per Share)						
				(0.20)%	(0.90)%	(5.00)%

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Impact on Existing Common Stockholders Who Do Participate in an Offering

Our existing common stockholders who participate in an offering below NAV per share 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 shares immediately prior to the offering. The level of NAV dilution will decrease as the number of shares such common stockholder purchases increases. Existing common stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing common stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per 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 an 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 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 decreases in NAV per share. This decrease could be more pronounced as the size of an offering and level of discount to NAV increases.

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

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

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Impact on New Investors in Our Common Stock

Investors who are not currently common stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently common stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the issuer being significantly less than the discount per 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. 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 common 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, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of an offering and level of discounts increases.

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

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

NAV Per Share Held by Common Stockholder	\$ 9.98	\$ 9.91	\$ 9.50
Investment per Share Held by Common Stockholder	\$ 10.00	\$ 9.47	\$ 7.90
Dilution/Accretion per Share Held by Common Stockholder (NAV per Share Less Investment per Share)	\$ (0.02)	\$ 0.44	\$ 1.60
Percentage Dilution/Accretion to Common Stockholder (Dilution/Accretion per Share Divided by Investment per Share)	(0.20)%	4.65%	20.25%

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Conditions to Sales Below Net Asset Value

We will only sell or otherwise issue shares of our common stock at a price below NAV per share if the following conditions are met:

the holders of a majority of our outstanding voting securities, and the holders of a majority of our outstanding voting securities that are not affiliated persons of ours, approved our ability to make such sales of securities within one year immediately prior to any such sale;

the number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale; and

a majority of our directors who have no financial interest in the issuance and sale, and a majority of such directors who are not interested persons of ours, have determined in good faith that:

- a) the sale is in the best interests of us and our stockholders, and
- b) the price at which such securities are to be issued and sold is not less than a price which closely approximates the market value of those securities, less any distributing commission or discount (a determination which must be made in consultation with the underwriter or underwriters of the offering, if any, and as of a time immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such securities or immediately prior to the issuance of such securities).

In making the determinations described above, our Board will have a duty to act in the best interests of us and our stockholders. To the extent we issue and sell shares of our common stock below NAV per share in a publicly registered transaction, our market capitalization and the amount of our publicly tradable common stock will increase, thus affording all common stockholders potentially greater liquidity in the market for our shares.

Key Stockholder Considerations

Before voting on this proposal or giving proxies with regard to this matter, stockholders should consider the potentially dilutive effect on the NAV of the issuance and sale of shares of our common stock at a price less than the then current NAV per share and should also consider the effect that the expenses associated with such issuance and sale may have on the NAV per outstanding share of our common stock. Any issuance and sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders. If we issue and sell shares in accordance with the terms of this proposal, the resulting dilution could be substantial. This dilution would include reduction in the NAV per share of the outstanding common stock as a result of the issuance and sale of shares at a price below the then current NAV per share and a proportionately greater decrease in a stockholder's interest in our earnings and assets, and in voting interests, than the increase in our assets resulting from such issuance and sale. In addition, any payment of underwriting compensation could further increase the dilution. Our Board will consider the potential dilutive effect of the issuance and sale of shares in accordance with this proposal when considering whether to authorize any such issuance and sale. It should be noted that the maximum number of shares

that we could issue and sell at a per share price below NAV per share pursuant to this authority would be limited to 25% of our then outstanding common stock immediately prior to each such sale.

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The 1940 Act establishes a connection between common share sale price and NAV per share because, when stock is sold at a sale price below NAV per share, the resulting increase in the number of outstanding shares is not accompanied by a proportionate increase in the net assets of the issuer. Stockholders should also consider that they will have no subscription, preferential or preemptive rights to additional shares of common stock proposed to be authorized for issuance, and thus any future issuance of common stock at a price below NAV per share will dilute a stockholder's holdings of common stock as a percentage of the stockholder's percentage interest. Further, if the stockholder does not purchase any shares to maintain the stockholder's percentage interest, regardless of whether such offering is at a price above or below the then current NAV, the stockholder's voting power will be diluted.

Required Vote

The affirmative vote of each of the following is required to approve this proposal: (1) a majority of our outstanding voting securities; and (2) a majority of our outstanding voting securities that are not held by affiliated persons of the Company. The outstanding common and preferred stock voting together as a single class represent our outstanding voting securities. For purposes of this proposal, the 1940 Act defines a majority of the outstanding voting securities as the vote of the lesser of: (1) 67% or more of the voting securities of the Company present at the annual meeting, if the holders of more than 50% of the outstanding voting securities of the Company are present or represented by proxy; or (2) more than 50% of the outstanding voting securities of the Company. Each abstention will have the effect of a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 2.

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The Audit Committee of our Board has selected PricewaterhouseCoopers LLP (PwC) as the Company's independent registered public accounting firm, which will audit the Company's financial statements for the fiscal year ending September 30, 2016. PwC has audited the Company's financial statements since its fiscal year ended September 30, 2003. The Audit Committee, in its discretion and subject to approval by our Board in accordance with the 1940 Act, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders. Representatives of PwC are expected to be present at the annual meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees

The following table represents the aggregate amount of fees capitalized or expensed by the Company for the fiscal years ended September 30, 2015 and September 30, 2014 that were billed by PwC, our principal independent registered public accounting firm.

	2015	2014
Audit Fees	\$ 537,411 (1)	\$ 523,700 (2)
Audit-related Fees	\$ 0	\$ 0
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
Total	\$ 537,411	\$ 523,700

(1) Includes approximately \$17,500 in fees in connection with the preparation of our universal shelf registration statement on Form N-2 and approximately \$55,000 in fees related to our ATM program.

(2) Includes approximately \$15,000 in fees in connection with the preparation of our universal shelf registration statement on Form N-2 and approximately \$55,000 in fees related to our preferred stock offering, which closed in May 2014.

Audit Fees. Audit fees include fees for services that normally would be provided by the accountant in connection with statutory and regulatory filings or engagements and that generally only the independent accountant can provide. In addition to fees for the audit of our annual financial statements, the audit of the effectiveness of our internal control over financial reporting and the review of our quarterly financial statements in accordance with generally accepted auditing standards, this category contains fees for comfort letters, statutory audits, consents, and assistance with and review of documents filed with the SEC.

Audit Related Fees. Audit related fees are assurance related services that traditionally are performed by the independent accountant, such as attest services that are not required by statute or regulation.

Tax Fees. Tax fees include corporate and subsidiary compliance and consulting.

All Other Fees. Fees for other services would include fees for products and services other than the services reported above, including any non-audit fees.

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All fees described above were pre-approved by the Audit Committee. During the fiscal years ended September 30, 2015 and September 30, 2014, the aggregate non-audit fees paid to PwC for services rendered to our Adviser and any entity controlling, controlled by or under common control with our Adviser that provides ongoing services to the Company were \$0.2 million and \$0.1 million, respectively. The Audit Committee has considered whether, and believes that, the rendering of these services to our Adviser and the entities controlling, controlled by or under common control with our Adviser is compatible with maintaining the independent registered public accounting firm's independence.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, PwC. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services, and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services currently being provided by PwC is compatible with maintaining the independent registered public accounting firm's independence.

During fiscal years 2014 and 2015, 100% of our audit fees associated with our independent registered public accounting firm were pre-approved by our Audit Committee.

Report of the Audit Committee of the Board of Directors¹

The Audit Committee has reviewed and discussed the Company's audited financial statements with management and PricewaterhouseCoopers LLP (PwC), the Company's independent registered public accounting firm, with and without management present. The Audit Committee included in its review results of the independent registered public accounting firm's examinations, the Company's internal controls, and the quality of the Company's financial reporting. The Audit Committee also reviewed the Company's procedures and internal control processes designed to ensure full, fair and adequate financial reporting and disclosures, including procedures for certifications by the Company's chief executive officer and chief financial officer that are required in periodic reports filed by the Company with the Securities and Exchange Commission. The Audit Committee further reviewed with the independent registered public accounting firm their opinion on the effectiveness of the internal control over financial reporting of the Company. The Audit Committee is satisfied that the Company's internal control system is adequate and that the Company employs appropriate accounting and auditing procedures.

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The Audit Committee also has discussed with PwC matters relating to the independent registered public accounting firm's judgments about the quality, as well as the acceptability, of the Company's accounting principles as applied in its financial reporting as required by Statement of Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. Additionally, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the audit committee concerning independence and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence (Communications with Audit Committees). The Audit Committee discussed and reviewed with PwC the Company's critical accounting policies and practices, internal controls, other material written communications to management, and the scope of PwC's audits and all fees paid to PwC during the fiscal year. The Audit Committee adopted guidelines requiring review and pre-approval by the Audit Committee of audit and non-audit services performed by PwC for the Company. The Audit Committee has reviewed and considered the compatibility of PwC's performance of non-audit services with the maintenance of PricewaterhouseCoopers' independence as the Company's independent registered public accounting firm.

Based on the Audit Committee's review and discussions referred to above, the Audit Committee recommended to our Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K, for the fiscal year ended September 30, 2015, for filing with the Securities and Exchange Commission. In addition, the Audit Committee has engaged PwC to serve as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2016.

Submitted by the Audit Committee

Anthony W. Parker, Chairperson

Caren D. Merrick

Michela A. English

John H. Outland

¹ The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the 1933 Act or the 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

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**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

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

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

* Less than 1%

- (1) This table is based upon information supplied by executive officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and sole investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 23,431,622 shares of common stock outstanding on November 13, 2015. No executive officers or directors held shares of our preferred stock as of November 13, 2015, nor was anyone a principal stockholder of our preferred stock on such date.
- (2) Ownership calculated in accordance with Rule 13d-3 of the 1934 Act.

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

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

(1) Ownership is calculated in accordance with Rule 16a-1(a)(2) of the 1934 Act.

(2) The dollar range of equity securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on The NASDAQ Global Select Market as of November 13, 2015, by the number of shares of the respective class so beneficially owned and aggregated accordingly.

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

Name	Number of Common	Percentage of Class of	Value of Securities (\$ (1))
------	---------------------	---------------------------	---------------------------------

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

* Less than 1%

(1) Ownership calculated in accordance with Rule 16a-1(a)(2) of the 1934 Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on

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The NASDAQ Global Select Market as of November 13, 2015, by the number of shares of the respective class so beneficially owned and aggregated accordingly.

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

Name	Number of Common Shares	Percent of Class of Common Shares	Value of Securities (\$) ⁽¹⁾
Independent Directors:			
Paul W. Adelgren	6,301	*	\$ 57,019
Michela A. English	1,030	*	\$ 9,322
Caren D. Merrick	0	*	\$ 0
John H. Outland	1,599	*	\$ 14,470
Anthony W. Parker	5,023	*	\$ 45,463
Walter H. Wilkinson, Jr.	4,594	*	\$ 41,578

* Less than 1%

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

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms and amendments they file.

To our knowledge, based solely on a review of the copies of such reports and amendments furnished to us and written representations that no other reports were required, during the fiscal year ended September 30, 2015, our officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements, with the exception of a late Form 4 filed on December 11, 2014 by Robert L. Marcotte for the purchase of 13,700 shares of common stock on December 8, 2014.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

None of our executive officers receive direct compensation from us. We do not currently have any employees and do not expect to have any employees in the foreseeable future. The services necessary for the operation of our business are provided to us by our officers and the other employees of our Adviser and Administrator, pursuant to the terms of the Advisory and Administration Agreements, respectively. Mr. Gladstone, our chairman, chief executive officer and president and Mr. Brubaker, our vice chairman, chief operating officer and assistant secretary, are both employees of and compensated directly by our Adviser. Ms. Morrison, our chief financial officer and treasurer, is an employee of our Administrator. Under the Administration Agreement, we reimburse our Administrator for our allocable portion of Ms. Morrison's salary. During our last fiscal year, our allocable portion of Ms. Morrison's compensation paid by our Administrator was approximately \$44,000 of her salary, \$20,000 of her bonus, and \$9,000 of the cost of her benefits.

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

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

Table of Contents**DIRECTOR COMPENSATION FOR FISCAL YEAR 2015**

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

- (1) Includes compensation the director received from Gladstone Investment Corporation, as part of our Fund Complex. Also includes compensation the director received from Gladstone Commercial Corporation, our affiliate and a real estate investment trust, and Gladstone Land Corporation, our affiliate and a real estate investment trust, although not part of our Fund Complex.
- (2) Ms. Merrick became a director of the Company, Gladstone Investment Corporation, Gladstone Commercial Corporation, and Gladstone Land Corporation in November 2014.
- (3) Mr. Wilkinson became a director of the Company, Gladstone Investment Corporation, Gladstone Commercial Corporation, and Gladstone Land Corporation in October 2014.

As compensation for serving on our Board, each of our independent directors receives an annual fee of \$20,000, an additional \$1,000 for each Board meeting attended, and an additional \$1,000 for each committee meeting attended if such committee meeting takes place on a day other than when the full Board meets. In addition, the chairpersons of each of the Audit, Compensation and Valuation Committees receive an annual fee of \$3,000, and the chairperson of the Ethics Committees receives an annual fee of \$1,000 for each of their additional services in these capacities. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board and committee meetings.

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

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Compensation Committee Report²

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (CD&A) contained in this Proxy Statement. Based on this review and discussion, the Compensation Committee has recommended to our Board of Directors that the CD&A be included in this Proxy Statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

Submitted by the Compensation Committee

John H. Outland, Chairperson

Paul W. Adलगren

Walter H. Wilkinson, Jr.

² The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the 1933 Act) or the 1934 Act, other than our Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

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CERTAIN TRANSACTIONS

Advisory and Administration Agreements

Under the Advisory Agreement, our Adviser is responsible for our day-to-day operations and administration, record keeping and regulatory compliance functions. Specifically, these responsibilities included identifying, evaluating, negotiating and consummating all investment transactions consistent with our investment objectives and criteria; providing us with all required records and regular reports to our Board concerning our Adviser's efforts on our behalf; and maintaining compliance with all regulatory requirements applicable to us. Effective July 1, 2015, the base management fee pursuant to the Advisory Agreement is assessed at an annual rate of 1.75% computed on the basis of the average value of our gross assets at the end of the two most recently completed quarters, which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. The Advisory Agreement also provides for an incentive fee, which consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards our Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (the hurdle rate). We pay our Adviser an income-based incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7% annualized);

100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and

20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date), and equals 20% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to our Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio's net unrealized capital depreciation, if any, as of the date of the calculation, as applicable, with respect to each of the investments in our portfolio.

Under the Administration Agreement, we pay separately for administrative services, which payments are equal to our allocable portion of our Administrator's overhead expenses in performing its obligations under the Administration Agreement, including rent for the space occupied by our Administrator, and our allocable portion of the salaries, bonuses, and benefits expenses of our chief financial officer, treasurer, chief compliance officer, general counsel and secretary and their respective staffs.

Our Adviser is controlled by David Gladstone, the chairman of our Board, our chief executive officer. Mr. Gladstone is also the chairman of the board of directors and chief executive officer of our Adviser. Terry Lee Brubaker, our vice chairman, chief operating officer and assistant secretary, is a member of the

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board of directors of our Adviser and its vice chairman, chief operating officer and assistant secretary. The principal executive office of each of the Adviser and the Administrator is located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102.

Loan Servicing Fee

The Adviser also services the loans held by Gladstone Business Loan, LLC (Business Loan), the borrower under our line of credit, in return for which the Adviser receives a 1.5% annual fee payable monthly based on the aggregate outstanding balance of loans pledged under our line of credit. Since Business Loan is a consolidated subsidiary of ours, and the total base management fee paid to the Adviser pursuant to the Advisory Agreement, cannot exceed 1.75% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given calendar year, we treat payment of the loan servicing fee pursuant to our line of credit as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% voluntarily, irrevocably and unconditionally credited back to us by the Adviser. Loan servicing fees of approximately \$3.8 million were incurred for the fiscal year ended September 30, 2015, all of which were directly credited against the amount of the base management fee due to our Adviser under the Advisory Agreement.

Investment Banking Services

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

Loans

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

Conflict of Interest Policy

We have adopted written policies to reduce potential conflicts of interest. In addition, our directors are subject to certain provisions of Maryland law (as we are a Maryland corporation) that are designed to minimize conflicts. Under our current conflict of interest policy, without the approval of a required majority, as defined under the 1940 Act, which means both a majority of directors who have no financial interest in the transaction and a majority of directors who are not interested persons of ours, we will not:

acquire from or sell to any of our officers, directors or employees, or any entity in which any of our officers, directors or employees has an interest of more than 5%, any assets or other property;

borrow from any of our directors, officers or employees, or any entity in which any of our officers, directors or employees has an interest of more than 5%; or

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engage in any other transaction with any of our directors, officers or employees, or any entity in which any of our directors, officers or employees has an interest of more than 5% (except that our Adviser may lease office space in a building that we own, provided that the rental rate under the lease is determined by our independent directors to be at a fair market rate).

Where allowed by applicable rules and regulations, from time to time we may enter into transactions with our Adviser or one or more of its affiliates. A required majority of our directors, as defined under the 1940 Act, must approve all such transactions with our Adviser or its affiliates.

Indemnification

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

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

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PROXY VOTING POLICIES AND PROCEDURES

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

Introduction

As an investment adviser registered under the Investment Advisers Act of 1940, as amended (the Advisers Act), the Adviser has a fiduciary duty to act solely in our best interests. As part of th">

Accounts payable

204,592

180,938

Accrued payroll and payroll taxes

-

335,307

Notes payable

1,401,504

2,319,226

Net liabilities in excess of assets

of discontinued operations

-

1,234,958

Total Liabilities

1,606,096

4,070,429

Stockholders` Deficit

Common stock (par value \$0.001)

Authorized, 1,800,000,000 common shares; issued and
outstanding, 49,218,805 and 71,577,399 shares at
December 31, 2011 and 2010, respectively

49,219

71,577

Additional paid-in capital

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77

	5,203,500
	10,285,962
Non-controlling interest in subsidiaries	-
	223,310
Accumulated deficit	(6,836,321)
	(14,594,674)
Total Stockholders	
Deficit	(1,583,602)
	(4,013,825)

Total Liabilities and Stockholders Deficit

\$
22,494
\$
56,604

The accompanying notes are an integral part of these financial statements

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Deal a Day Group Corp.**(A Development Stage Company)****Consolidated Statements of Operations****For the years ended December 31, 2011 and 2010****Period from January 1, 2009 (Inception of development stage) to December 31, 2011**

	2011	2010	From January 1, 2009 (Inception of development stage) to December 31, 2011
Operating expense:			
General and administrative	\$ 186,736	\$ 216,371	\$ 403,107
Operating loss	(186,736)	(216,371)	(403,107)
Non-operating expenses:			
Interest expense	(173,866)	(221,032)	(836,211)
Loss from continuing operations	(360,602)	(437,403)	(1,239,318)
Income from discontinued operations	-	95,296	(147,544)
Net loss	(360,602)	(342,107)	(1,386,862)
Less: Net loss attributable to non-controlling interests	-	(46,582)	(46,582)
Net loss attributable to common stockholders	\$ (360,602)	\$ (295,525)	\$ (1,340,280)
Loss per share, basic and diluted, before discontinued operations	\$ (0.01)	\$ (0.01)	
Loss per share, basic and diluted, from discontinued operations	-	-	
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.01)	
Weighted average shares outstanding	35,512,181	55,243,678	

The accompanying notes are an integral part of these financial statements

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Deal a Day Group Corp.**Consolidated Statement of Stockholders Deficit**

As of December 31, 2011

	Common Stock		Non-		Accumulated	
	Shares	Amount	Additional Paid-In Capital	controlling Interest in Subsidiaries	Deficit	Total
Balance, December 31, 2009	54,331,350	\$ 54,331	\$ 9,299,182	\$ -	\$ (14,299,149)	\$ (4,945,636)
Conversion of Notes Payable	14,493,441	14,493	861,395	-	-	875,888
Conversion of Accounts Payable	2,075,087	2,075	94,561	-	-	96,636
Private Placement in Subsidiaries	365,021	365	6,137	269,892	-	276,394
Private Placement	312,500	313	24,687	-	-	25,000
Net Loss	-	-	-	(46,582)	(295,525)	(342,107)
Balance, December 31, 2010	71,577,399	\$ 71,577	\$ 10,285,962	\$ 223,310	\$ (14,594,674)	\$ (4,013,825)
Settlement of Notes Payable-related party	-	-	66,933	-	-	66,933
Conversion of Notes Payable	-	-	27,285	-	-	27,285
Sale of Subsidiaries	-	-	(6,400,538)	(223,310)	8,118,955	1,495,107
1 for 2 stock split	(35,277,281)	(35,277)	35,277	-	-	-
Returned shares	(581,313)	(581)	581	-	-	-
Purchase of Assets	1,500,000	1,500	-	-	-	1,500
Conversion of Notes Payable	12,000,000	12,000	1,188,000	-	-	1,200,000
Net Loss	-	-	-	-	(360,602)	(360,602)
Balance, December 31, 2011	49,218,805	\$ 49,219	\$ 5,203,500	\$ -	\$ (6,836,321)	\$ (1,583,602)

The accompanying notes are an integral part of these financial statements

Deal a Day Group Corp.**(A Development Stage Company)****Consolidated Statements of Cash Flows****For the Years Ended December 31, 2011 and 2010****Period from January 1, 2009 (Inception of development stage) to December 31, 2011**

	2011	2010	From January 1, 2009 (Inception of development stage) to December 31, 2011
<i>Cash Flows From Operating Activities</i>			
Net loss	\$ (360,602)	\$ (342,107)	\$ (1,386,862)
Income (loss) from discontinued operations	-	95,295	(147,544)
Loss from continuing operations	(360,602)	(437,402)	(1,239,318)
Adjustments to reconcile loss from continuing operations to cash flows used in operating activities:			
Prepaid and other assets	20,347	(20,447)	(100)
Accounts payable	(51,504)	51,883	379
Accrued expenses	163,865	221,031	826,209
Net cash used in continuing operations	(227,894)	(184,935)	(412,830)
Net cash used in discontinued operations	-	(123,302)	(123,301)
Cash used in operating activities	(227,894)	(308,237)	(536,131)
<i>Cash Flows From Financing Activities</i>			
Borrowings on note payable	\$ 212,631	\$ 43,500	\$ 256,131
Proceeds from private placement	1,500	301,394	302,894
Principal payments on notes payable	-	(500)	(500)
Cash provided by (used in) financing activities	214,131	344,394	558,525
Net increase (decrease) in cash	(13,763)	36,157	22,394
Cash, opening	36,157	-	-
Cash, closing	\$ 22,394	\$ 36,157	\$ 22,394
Supplemental cash flow information			
Cash paid during the year for:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ 800	\$ 800

Non-cash financing activities

Conversion of notes payable to equity	\$ 1,294,218	\$ 955,956	\$ 2,250,174
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The accompanying notes are an integral part of these financial statements

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Deal a Day Group Corp. (DADG or the Company) is a corporation organized under the laws of the State of Nevada.

DADG changed its business direction in the wake of the massive growth and evolution of the multi-billion dollar daily deal market space. We had redirected our company with the vision of creating balance between merchants and their customers and to create platforms that will help merchants grow their businesses through cost effective promotional resources. Our business units will focus on the Daily Deals/Group buying arena, print media, and software and applications development.

On November 3, 2011, the Company completed a 1-for-2 reverse stock split. As of December 31, 2011, the transfer agent reported 47,896,421 shares of common stock outstanding; after the split 49,218,805 shares of common stock are outstanding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The consolidated balance sheets and related consolidated statements of operations and cash flows contained in this Annual Report include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all entries necessary for a fair presentation of such consolidated financial statements have been included. These entries consisted only of normal recurring items.

The consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Discontinued operations

The Company's former operations were discontinued in 2008 and have been accounted for as discontinued operations. The results of operations have been removed from the results of continuing operations for all periods presented. The assets and liabilities of discontinued operations have been reclassified and are segregated in the consolidated balance sheets. On October 21, 2011 the discontinued operations of QMotions, Inc. and Aptus Games Inc. were sold in a share purchase agreement to an individual. The Company retains ownership of the discontinued subsidiary Diagnostic Nano Applications Corp.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit.

Revenue recognition

The Company recognizes revenue in accordance with the provision of the Securities and Exchange Commission Staff Accounting Bulletin (SAB) No. 104 (ASC 605-10) which establishes guidance in applying generally accepted accounting principles to revenue recognition in financial statements. Four basic criteria must be met before we recognize revenue: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the price to the buyer is fixed and determinable; and (4) collectability is reasonably assured.

Research and development

All costs of research and development activities are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Company records deferred tax assets and liabilities based on the net tax effects of tax credits, operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and the Company establishes a valuation allowance to reduce deferred tax assets to an amount which it believes to be more likely than not realizable. The valuation allowance is based on the Company's estimates of taxable income by jurisdiction in which it operates and the period over which its deferred tax assets will be recoverable.

Going concern

The accompanying financial statements have been prepared assuming that the company will continue to operate as a going concern. Through December 31, 2011, the Company has not generated operating or net profits. As of December 31, 2011, the accumulated deficit is \$6,836,321 and the working capital deficiency is \$1,583,602.

Property, plant and equipment

Property, plant and equipment are stated at original cost less accumulated depreciation and amortization.

Depreciation is provided to write off the cost of property, plant and equipment using the straight-line method at rates based on their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values.

Accounting for the impairment of long-lived assets

The long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these assets could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by

the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

Allowance for doubtful accounts

Accounts receivable are stated at the amount billed to customers. The Company recognizes an allowance for doubtful accounts to ensure trade and other receivables are not overstated due to uncollectibility. The Company's estimate is based on a variety of factors, including historical collection experience, existing economic conditions and a review of the current status of the receivable. No allowance for doubtful accounts was required at December 31, 2011 and 2010.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Basic and Diluted Net Loss per Share***

Basic net loss per common share is computed by dividing net loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that might be issued upon exercise of common stock options. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

Recently issued accounting standards

There are no accounting standards or interpretations issued or recently adopted that are expected to have a material impact on the Company's financial position, operations or cash flows.

3. INCOME TAXES

The primary components comprising the net deferred tax assets (liabilities) are as follows:

Deferred tax assets (liabilities)	2011	2010
Current liabilities	87,975	144,182
Loss carryforward	2,939,618	6,275,710
Deferred tax asset	3,027,593	6,419,892
Less: valuation allowance	(3,027,593)	(6,419,892)
Net deferred tax asset	-	-

A reconciliation of income tax expense as recorded and the amounts computed by applying the statutory federal and state tax rate for the years ended December 31, 2011 and 2010 are as follows:

2011	2010
------	------

Income taxes (recovery) at statutory rate	(1,791,556)	(147,106)
Increase (Decrease) resulting from:		
Non deductible accruals	-	144,182
Valuation allowance	1,791,556	2,924
	-	-

Net operating loss carryforwards of \$6,836,321 expire at various dates through December 31, 2031.

4. NET LIABILITIES IN EXCESS OF DISCONTINUED OPERATIONS

On October 21, 2011, the Company entered into Share Purchase Agreements with an individual for the sale of 100.0% of the outstanding shares of QMotions Inc. and for the sale of 100.0% of the outstanding shares of Aptus Games Inc., discontinued subsidiaries of the Company. Total consideration for the sale is \$1.00 each.

5. NOTES PAYABLE

On October 25, 2010, the Company amended the August 12, 2008 \$1,500,000 Unsecured Promissory Note as amended. A Conversion and Release Agreement exchanged \$147,945 for 1,232,877 shares of common stock in the Company. A Second Amendment to the Promissory Note extended the maturity date on the balance of the note to December 31, 2011.

On October 31, 2010 the Company issued 14,493,441 of shares of Company common stock to retired an aggregate \$875,888 of notes payable. The amount was recorded to Additional paid in capital.

On October 31, 2010 the Company issued 180,000 of shares of Company common stock to retired an aggregate \$18,000 of notes payable. The amount was recorded to Additional paid in capital.

On October 31, 2010 the Company issued 185,497 of shares of Company common stock to retired an aggregate \$18,550 of notes payable. The amount was recorded to Additional paid in capital.

As of December 31, 2010 the Company issued 2,075,087 of shares of Company common stock to retired an aggregate \$96,636 of accounts payable. The amount was recorded to Additional Paid in Capital.

On November 4, 2011, the Company entered into a Settlement Agreement and General Mutual Release under which Alma Bailante Real Estate Inc. (a secured creditor) has agreed to release and forever discharge \$1,200,000 of debt in exchange for 4,666,929 shares of common stock of DADG beneficially owned by Albanna and 12,000,000 shares of common stock of DADG (new shares) and enter into a new Promissory Note evidencing the remaining \$945,962 of debt owned by Alma, in exchange Alma agreed to release any and all security interest held by Alma in relation to the debt, specifically Alma released and discharged the collateralized interest Alma had, in and to, the remaining shares of DADG held by the Albanna Trust.

On November 4, 2011, the Company executed an Asset Acquisition Agreement with Rich Media Corp. (RMC) of Seoul, Korea. RMC owns various online marketing and media websites, including social media accounts operating in the online group buying and marketing sector. Total consideration to RMC shall be an amount equal to \$400,000 and restricted stock purchase rights to 1,500,000 shares of DADG for a price of \$0.10 per share.

Description	December 31, 2011	December 31, 2010
Note Payable, 10%, past due	\$ 88,703	\$ 81,283

Note Payable, 10%, past due	169,959	155,795
Note Payable, 10%, due November 3, 2013	961,035	2,019,863
Note Payable, 8%, due October 1, 2012	150,000	-
Bridge Loans, no interest, no due date	31,807	62,285
	\$ 1,401,504	\$ 2,319,226

6. NON-CONTROLLING INTEREST IN SUBSIDIARIES

The Company owns 4,500 shares of common stock of the 5,357 shares outstanding in Diagnostic Nano Applications Corporation (DNA) for a 78.4% share. DNA is a discontinued operation.

On November 4, 2011 the Company executed an Asset Acquisition Agreement exchanging its remaining 30.01% interest in OLFactor Laboratories, Inc. and 50.0% interest in Nano Engineered Applications, Inc for 10,000,000 shares of Innovation Economy Corp. (IEC), an affiliated Company. Currently, the shares of Innovation Economy Corp. are not tradable.

In a Restricted Stock Purchase Right Agreement dated November 4, 2011, DADG has the right on a quarterly basis over the next year to purchase shares that would allow it to maintain a 10% ownership interest in IEC. The 10 million shares the Company owns represents a 12.24% ownership interest IEC.

7. RELATED PARTY

Amro Albanna, former Chairman and CEO of the Company and currently a Director, is Chairman and CEO of Innovation Economy Corporation, a Delaware corporation and of Innovation Economy Initiative, a California corporation.

On June 15, 2011 the Company through a Conversion and Release Agreement with IEC exchanged 338 shares of OLI Factor Laboratories, Inc in settlement of \$31,067 of notes payable due to IEC. In separate agreements between DADG and our Chairman and the Innovation Economy Initiative, the Company assigned 1,662 shares of OLI and 2,000 shares of Nano Engineered Applications (NEA) to IEC for settlement of \$253,957 of notes payable.

8. PRIVATE PLACEMENTS

On May 6, 2010 the Company raised \$25,000 in a private placement agreement dated April 15, 2010 with an accredited investor for 312,500 shares of common stock. The offer and sale of securities was made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, including pursuant to Rule 506. Such offer and sale was made to an accredited investors under Rule 506 and was made without any form of general solicitation and with full access to any information requested by the investors regarding the Company or the securities offered.

9. SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to December 31, 2011 through the date these financial statements were filed with the OTC Disclosure and News Service and has determined that it does not have any additional material subsequent events to disclose.

ITEM 14.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 15.

FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements.

(b) Exhibits . The following exhibits are either filed as a part hereof or are incorporated by reference. Exhibit numbers correspond to the numbering system in Item 601 of Regulation S-K.

Exhibit

Number Description of Exhibit

3.1	Articles of Incorporation of Deal a Day Group Corp. dated April 27, 2005 (1)
3.1a	Articles of Merger dated December 21, 2007 (1)
3.1b	Certificate of Amendment dated July 27, 2009 (1)
3.1c	Certificate of Amendment dated September 1, 2011 (1)
3.2	Bylaws (1)
10.1	Asset Acquisition Agreement with Rich Media Corp. (1)
10.2	Settlement Agreement and Mutual Release dated November 4, 2011, by and among Deal a Day Group Corp. and Albanna Family Trust and Alma Bailante Real Estate Inc.
21.1	List of Subsidiaries (1)
23.1	Auditor Consent (1)
24.1	Power of Attorney (see below) (1)

(1)

Filed and incorporated by reference to the Registrants Form 10 (File No. 000-52323), filed with the Commission on June 14, 2012.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Deal A Day Group Corp.

Dated: May 15, 2014

/s/ Richard Pak

By: Richard Pak

Its: President, Chief Executive Officer, Chief Financial

Officer, Principal Accounting Officer, Treasurer &
Director