GLADSTONE CAPITAL CORP
Form 497
August 21, 2015
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Filed Pursuant to Rule 497

Securities Act File No. 333-185191

Supplement No. 1, dated August 21, 2015

to

Prospectus Supplement, dated February 27, 2015

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of Gladstone Capital Corporation (the Company), dated January 30, 2015, as supplemented by the Prospectus Supplement dated February 27, 2015. Capitalized terms used but not defined herein shall have the same meaning given them in the Prospectus Supplement or Prospectus, as applicable.

You should carefully consider the Risk Factors beginning on page S-8 of the Prospectus Supplement and page 9 of the Prospectus before you decide to invest.

STATUS OF THE OFFERING

On February 27, 2015 we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock to which this Supplement No. 1 and the Prospectus Supplement, dated February 27, 2015, relate (the ATM Program).

The gross proceeds raised, the related sales agent commissions, the offering expenses and the average price at which these shares were issued from the period from February 27, 2015 (the inception of the ATM Program) through August 21, 2015 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 (through August 21, 2015)					
Total	131,462	$ 1,169,098	$ 23,382	$ 181,039	$ 8.88

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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	87,251	$ 8.7300-9.0900	$ 9.24-9.53	(0.01)%
April 2, 2015 - April 24, 2015	44,211	$ 8.9318-8.90103	$ 9.52-9.55	0.00%

FILING OF OUR FORM 10-Q

On July 29, 2015, we filed our Quarterly Report on Form 10-Q (Form 10-Q) for the quarter ended June 30, 2015 with the Securities and Exchange Commission. We have attached the Form 10-Q to this supplement as Annex A.

RECENT DEVELOPMENTS

Subsequent to filing our Form 10-Q we invested $8.3 million in Triple H Food Processors, Inc., a food processor and co-packer, headquartered in Riverside, California through a combination of senior term debt and equity.

KeyBanc Capital Markets **Cantor Fitzgerald & Co**

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Annex A

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER: 814-00237

GLADSTONE CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND **(State or other jurisdiction of incorporation or organization)**	**54-2040781** **(I.R.S. Employer Identification No.)**
1521 WESTBRANCH DRIVE, SUITE 100 **MCLEAN, VIRGINIA** **(Address of principal executive office)**	**22102** **(Zip Code)**

(703) 287-5800

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. The number of shares of the issuer s common stock, $0.001 par value per share, outstanding as of July 28, 2015 was 21,131,622.

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	June 30, 2015	September 30, 2014
ASSETS		
Investments at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$266,122** and $225,845, respectively)	**$ 256,044**	$ 198,926
Affiliate investments (Cost of **$80,525** and $61,281, respectively)	**68,435**	57,006
Control investments (Cost of **$54,406** and $62,159, respectively)	**22,737**	25,354
Total investments at fair value (Cost of **$401,053** and $349,285, respectively)	**347,216**	281,286
Cash and cash equivalents	**7,823**	6,314
Restricted cash and cash equivalents	**496**	675
Interest receivable, net	**5,174**	2,767
Due from custodian	**2,975**	6,022
Deferred financing fees	**4,339**	3,340
Other assets, net	**1,238**	1,025
TOTAL ASSETS	**$ 369,261**	$ 301,429
LIABILITIES		
Borrowings at fair value (Cost of **$104,600** and $36,700, respectively)	**$ 104,600**	$ 38,013
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **4,000,000** shares authorized and **2,440,000** shares issued and outstanding	**61,000**	61,000
Accounts payable and accrued expenses	**417**	462
Interest payable	**231**	146
Fees due to Adviser[(A)]	**1,218**	875
Fee due to Administrator[(A)]	**235**	218
Other liabilities	**918**	1,055
TOTAL LIABILITIES	**$ 168,618**	$ 101,769
Commitments and contingencies[(B)]		
NET ASSETS		
Common stock, $0.001 par value per share, **46,000,000** shares authorized; **21,131,622** shares issued and outstanding as of June 30, 2015 and 21,000,160 shares issued and outstanding as of September 30, 2014	**$ 21**	$ 21
Capital in excess of par value	**294,144**	307,348

Note receivable from employee[(A)]		(100)
Cumulative net unrealized depreciation of investments	**(53,837)**	(67,999)
Cumulative net unrealized (depreciation) (appreciation) of other	**(61)**	(1,374)
Overdistributed net investment income	**(3,873)**	(1,928)
Accumulated net realized losses	**(35,751)**	(36,308)
TOTAL NET ASSETS	**$ 200,643**	$ 199,660
NET ASSET VALUE PER COMMON SHARE AT END OF PERIOD	**$ 9.49**	$ 9.51

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 7,003**	$ 6,105	**$ 20,199**	$ 18,831
Affiliate investments	**1,793**	1,519	**4,492**	2,570
Control investments	**310**	556	**800**	3,133
Other	**1**	4	**4**	12
Total interest income	**9,107**	8,184	**25,495**	24,546
Other income				
Non-Control/Non-Affiliate investments	**578**	670	**1,656**	1,631
Affiliate investments		701		701
Control investments	**250**	625	**733**	1,025
Total other income	**828**	1,996	**2,389**	3,357
Total investment income	**9,935**	10,180	**27,884**	27,903
EXPENSES				
Base management fee(A)	**1,859**	1,461	**5,257**	4,421
Loan servicing fee(A)	**1,015**	917	**2,802**	2,628
Incentive fee(A)	**1,021**	1,266	**2,866**	3,361
Administration fee(A)	**235**	219	**784**	635
Interest expense on borrowings	**1,033**	710	**2,735**	1,994
Dividend expense on mandatorily redeemable preferred stock	**1,029**	937	**3,087**	2,309
Amortization of deferred financing fees	**253**	314	**857**	944
Professional fees	**315**	98	**899**	725
Other general and administrative expenses	**222**	179	**893**	828
Expenses before credits from Adviser	**6,982**	6,101	**20,180**	17,845
Credit to base management fee loan servicing fee(A)	**(1,015)**	(917)	**(2,802)**	(2,628)
Credits to fees from Adviser other(A)	**(868)**	(67)	**(1,714)**	(1,272)
Total expenses, net of credits	**5,099**	5,117	**15,664**	13,945

NET INVESTMENT INCOME	**4,836**	5,063	**12,220**	13,958
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	**(1,143)**	54	**435**	(2,556)
Control investments			**(14,459)**	(10,733)
Escrows	**68**		**(491)**	30
Extinguishment of debt		(1,297)		(1,297)
Total net realized loss	**(1,075)**	(1,243)	**(14,515)**	(14,556)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	**7,920**	(3,203)	**8,682**	9,034
Affiliate investments	**(7,465)**	(18,246)	**(7,815)**	(24,741)
Control investments	**(1,602)**	(1,400)	**13,295**	5,795
Other	**693**	(1,146)	**1,313**	(1,261)
Total net unrealized (depreciation) appreciation	**(454)**	(23,995)	**15,475**	(11,173)
Net realized and unrealized (loss) gain	**(1,529)**	(25,238)	**960**	(25,729)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 3,307**	$ (20,175)	**$ 13,180**	$ (11,771)
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.23**	$ 0.24	**$ 0.58**	$ 0.66
Net increase (decrease) in net assets resulting from operations	**$ 0.16**	$ (0.96)	**$ 0.63**	$ (0.56)
Distributions declared and paid	**$ 0.21**	$ 0.21	**$ 0.63**	$ 0.63
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and Diluted	**21,123,202**	21,000,160	**21,045,014**	21,000,160

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended June 30, 2015	2014
OPERATIONS		
Net investment income	**$ 12,220**	$ 13,958
Net realized loss on investments	**(14,515)**	(13,259)
Realized loss on extinguishment of debt		(1,297)
Net unrealized appreciation (depreciation) of investments and escrows	**14,162**	(9,912)
Net unrealized depreciation (appreciation) of other	**1,313**	(1,261)
Net increase (decrease) in net assets resulting from operations	**13,180**	(11,771)
DISTRIBUTIONS		
Distributions to common stockholders	**(13,261)**	(13,230)
CAPITAL TRANSACTIONS		
Repayment of principal on employee note[A]	**100**	
Issuance of common stock	**1,169**	
Offering costs for issuance of common stock	**(205)**	
Net increase in net assets resulting from capital transactions	**1,064**	
NET INCREASE (DECREASE) IN NET ASSETS	**983**	(25,001)
NET ASSETS, BEGINNING OF PERIOD	**199,660**	205,992
NET ASSETS, END OF PERIOD	**$ 200,643**	$ 180,991

[A] Refer to Note 4 *Related Party Transactions* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended June 30, 2015	Nine Months Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	**$ 13,180**	$ (11,771)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments	**(93,765)**	(83,161)
Principal repayments on investments	**10,060**	47,333
Net proceeds from sale of investments	**18,541**	4,700
Increase in investment balance due to paid-in-kind interest	**(463)**	(208)
Net change in premiums, discounts and amortization	**219**	(70)
Cost adjustments on non-accrual loans	**(384)**	
Net realized loss on investments	**14,024**	13,289
Net unrealized (appreciation) depreciation of investments	**(14,162)**	9,912
Realized loss on extinguishment of debt		1,297
Net unrealized (depreciation) appreciation other	**(1,313)**	1,261
Decrease in restricted cash and cash equivalents	**179**	378
Amortization of deferred financing fees	**857**	944
Increase in interest receivable	**(2,407)**	(322)
Decrease in due from custodian	**3,047**	14,658
(Increase) decrease in other assets	**(213)**	323
(Decrease) increase in accounts payable and accrued expenses	**(45)**	56
Increase (decrease) in interest payable	**85**	(25)
Increase in fees due to Adviser[A]	**343**	247
Increase in fee due to Administrator[A]	**16**	93
(Decrease) increase in other liabilities	**(137)**	265
Net cash used in operating activities	**(52,338)**	(801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of mandatorily redeemable preferred stock		61,000
Redemption of previously issued mandatorily redeemable preferred stock		(38,497)
Proceeds from borrowings	**109,000**	91,000
Repayments on borrowings	**(41,100)**	(102,800)
Deferred financing fees	**(1,856)**	(2,797)
Proceeds from issuance of common stock	**1,169**	
Offering costs for issuance of common stock	**(205)**	
Distributions paid to common stockholders	**(13,261)**	(13,230)

Receipt of principal on employee note		**100**		
Net cash provided by (used in) financing activities		**53,847**		(5,324)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,509**		(6,125)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**6,314**		13,900
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**7,823**	$	7,775

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(N):					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)(D)	$ 13,000	$ 13,000	$ 13,000
		Member Profit Participation (18.0% ownership)(F)(H)		960	293
		Profit Participation Warrants (7.0% ownership)(F)(H)		244	
				14,204	13,293
Allison Publications, LLC	Printing and publishing	Secured First Lien Line of Credit, $150 available (8.3%, Due 9/2016)(D)	450	450	449
		Secured First Lien Debt (8.3%, Due 9/2018)(D)	2,552	2,552	2,548
		Secured First Lien Debt (13.0%, Due 9/2018)(C) (D)	5,400	5,400	5,400
				8,402	8,397
Alloy Die Casting Corp.	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)(D)	5,235	5,235	5,170
		Preferred Stock (1,742 shares)(F)(H)		1,742	1,223
		Common Stock (270 shares)(F)(H)		18	
				6,995	6,393
Behrens Manufacturing, LLC	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018)(D)	4,275	4,275	4,275
		Preferred Stock (1,253 shares)(F)(H)(K)		1,253	1,764

				5,528	6,039
B+T Group Acquisition Inc.	Telecommunications	Secured First Lien Debt (13.0%, Due 12/2019)(D)	6,000	6,000	5,970
		Preferred Stock (5,503 shares)(H)(F)(K)		1,799	
				7,799	5,970
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	46
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (11.4%, Due 4/2020)(D)	15,000	15,000	14,175
		Secured Second Lien Debt (10.3%, Due 4/2020)(D)	7,000	7,000	6,580
		Preferred Equity Units (999 units)(F)(H)		648	747
		Common Equity Units (999 units)(F)(H)		1	206
				22,649	21,708
Funko, LLC	Personal and non-durable consumer products	Secured First Lien Debt (9.3%, Due 5/2019)(D)(G)	7,500	7,500	7,744
		Secured First Lien Debt (9.3%, Due 5/2019)(D)(G)	2,000	2,000	2,065
		Preferred Equity Units (1,305 units)(F)(H)		1,305	21,412
				10,805	31,221
Heartland Communications Group	Broadcasting and entertainment	Secured First Lien Line of Credit, $0 available (5.0%, Due 6/2015)(D)(G)(I)	100	93	65
		Secured First Lien Line of Credit, $0 available (10.0%, Due 6/2015)(D)(G)(I)	100	86	65
		Secured First Lien Debt (5.0%, Due 6/2015)(D)(G)(I)	4,342	4,031	980
		Common Stock Warrants (8.8% ownership)(F)(H)		66	
				4,276	1,110
J.America, Inc.	Personal and non-durable consumer products	Secured Second Lien Debt (10.4%, 2.0% PIK, Due 12/2019)(D)(G)	7,500	7,500	7,331
		Secured Second Lien Debt (11.5%, 2.0% PIK, Due 12/2019)(D)(G)	9,500	9,500	9,239
				17,000	16,570
Leeds Novamark Capital I, L.P.	Private equity fund healthcare,	Limited Partnership Interest (3.5% ownership,		633	411

	education and childcare	\$2,362 uncalled capital commitment)(H)(M)

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N] (Continued):					
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Secured First Lien Debt (11.0%, Due 11/2014)[D]	$ 6,699	$ 6,699	$ 3,822
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)[D]	4,140	4,140	4,124
		Preferred Stock (1,449 shares)[F][H]		1,449	800
				5,589	4,924
Precision Acquisition Group Holdings, Inc.	Machinery	Equipment Note (11.0%, Due 4/2016)[D]	1,000	1,000	575
		Secured First Lien Debt (11.0%, Due 4/2016)[D]	4,125	4,125	2,351
		Secured First Lien Debt (11.0%, Due 4/2016)[C][D]	4,053	4,053	2,290
				9,178	5,216
Saunders & Associates	Electronics	Secured First Lien Line of Credit, $0 available (11.3%, Due 5/2013)[D][I]	917	917	110
		Secured First Lien Debt (11.3%, Due 5/2013)[D][I]	8,947	8,947	1,074
				9,864	1,184
Southern Petroleum Laboratories, Inc.	Oil and gas	Secured Second Lien Debt (11.5%, Due 2/2020)[D]	8,000	8,000	7,950
		Common Stock (100 shares)[F][H]		750	1,301

				8,750	9,251
United Flexible, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $4,000 available (7.0%, Due 2/2018)(D)			
		Secured First Lien Debt (9.3%, Due 2/2020)(D)	21,000	21,000	21,000
		Preferred Stock (245 shares)(F)(H)		245	254
		Common Stock (500 shares)(F)(H)		5	80
				21,250	21,334
Vision Government Solutions, Inc.	Diversified/conglomerate service	Secured First Lien Line of Credit, $250 available (7.5%, Due 12/2017)(D)	1,750	1,750	1,754
		Secured First Lien Debt (9.75%, Due 12/2019)(D)	9,000	9,000	9,023
				10,750	10,777
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, $2,525 available (8.0%, Due 3/2016)(D)	2,475	2,475	2,400
		Secured First Lien Debt (8.0%, Due 3/2019)(D)	13,000	13,000	12,610
		Secured First Lien Debt (12.0%, Due 3/2019)(D)	7,000	7,000	6,720
		Preferred Stock (1,000 shares)(F)(H)		313	443
				22,788	22,173
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Debt (12.5%, Due 4/2016)(D)	4,000	4,000	3,995
		Common Stock (58,333 shares)(F)(H)		408	144
				4,408	4,139
Subtotal Non-Control/Non-Affiliate Proprietary Investments				**$ 197,675**	**$ 193,978**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Secured First Lien Debt (9.0% and 1.3%	$ 7,358	$ 7,330	$ 6,990

		PIK, Due 3/2016)(E)			
Ardent Medical Services, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (11.0%, Due 1/2019)(J)	7,143	7,136	7,223
Autoparts Holdings Limited	Automobile	Secured Second Lien Debt (11.0%, Due 1/2018)(E)	700	698	637
First American Payment Systems, L.P.	Finance	Secured Second Lien Debt (10.8%, Due 4/2019)(D)	4,195	4,171	4,146
GTCR Valor Companies, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	3,000	2,983	2,910
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.3%, Due 7/2020)(E)	4,000	3,988	3,800

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(N)] (Continued):					
PLATO Learning, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (10.0% PIK, Due 6/2020)[(F)]	$ 2,652	$ 2,596	$ 1,750
		Common Stock (21,429 shares)[(F)(H)]		2,636	
				5,232	1,750
PSC Industrial Holdings Corp.	Diversified/conglomerate service	Secured Second Lien Debt (9.3%, Due 12/2021)[(E)]	3,500	3,434	3,465
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019)[(E)]	2,000	1,970	1,840
SourceHOV LLC	Finance	Secured Second Lien Debt (11.5%, Due 4/2020) [(E)]	5,000	4,815	4,400
Targus Group International, Inc.	Textiles and leather	Secured First Lien Debt (12.8% and 2.0% PIK, Due 5/2016)[(E)]	8,953	8,917	7,431
The Active Network, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)[(E)]	1,000	995	948
Vertellus Specialties Inc.	Chemicals, plastics and rubber	Secured First Lien Debt (10.5%, Due 10/2019)[(E)]	3,970	3,844	3,752
Vision Solutions, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 7/2017)[(E)]	8,000	7,964	7,960
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021)[(E)]	4,500	4,475	4,410
W3 Co.	Oil and gas	Secured Second Lien Debt (9.3%, Due	499	495	404

		9/2020)(E)			
Subtotal Syndicated Investments				**$ 68,447**	**$ 62,066**
Total Non-Control/Non-Affiliate Investments (represented 73.7% of total investments at fair value)				**$ 266,122**	**$ 256,044**
AFFILATE INVESTMENTS(O) :					
Proprietary Investments:					
Ashland Acquisition LLC	Printing and publishing	Secured First Lien Line of Credit, $1,500 available (12.0%, Due 7/2016)(D)(G)	$	$	$
		Secured First Lien Debt (12.0%, Due 7/2018)(D)(G)	7,000	7,000	7,044
		Preferred Equity Units (4,400 units)(F)(H)		440	557
		Common Equity Units (4,400 units)(F)(H)			63
				7,440	7,664
Edge Adhesives Holdings, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $7 available (12.5%, Due 2/2016)(D)	993	993	987
		Secured First Lien Debt (12.5%, Due 2/2019)(D)	6,200	6,200	6,169
		Secured First Lien Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,594
		Preferred Stock (2,516 shares)(F)(H)		2,516	967
				11,309	9,717
FedCap Partners, LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units)(H)(L)		1,634	1,647
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 2/2021)(D)	6,000	6,000	5,985
		Secured Second Lien Debt (12.0%, Due 2/2021)(D)	6,000	6,000	5,985
		Common Stock (139,330 shares)(F)(H)		1,590	1,946
				13,590	13,916
			1,400	1,400	1,416

LWO Acquisitions Company LLC	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $1,600 available (6.5%, Due 12/2017)(D)			
		Secured First Lien Debt (9.5%, Due 12/2019)(D)	10,579	10,579	10,698
		Common Stock (921,000 shares)(F)(H)		921	961
				12,900	13,075

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
AFFILATE INVESTMENTS(O) (Continued):					
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Line of Credit, $0 available (9.0%, Due 12/2015)(F)	4,000	4,000	4,000
		Mortgage Note (9.5%, Due 12/2015)(F)(G)	6,891	6,891	6,891
		Secured First Lien Debt (12.0%, Due 12/2015)(C)(F)	11,392	11,392	11,392
		Secured First Lien Debt (12.5%, Due 12/2015)(F)(G)	6,000	6,000	133
		Preferred Stock (4,999,000 shares)(F)(H)(K)		4,999	
		Common Stock (2,000,000 shares)(F)(H)		370	
				33,652	22,416
Total Affiliate Proprietary Investments (represented 19.7% of total investments at fair value)				**$ 80,525**	**$ 68,435**
CONTROL INVESTMENTS(P):					
Proprietary Investments:					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 4/2016)(F)	$ 6,385	$ 6,385	$ 6,385
		Common Stock (15,500 shares)(F)(H)		1	6,106
				6,386	12,491
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $0 available (10.5%, Due 12/2014)(F)(I)	986	986	160
		Secured First Lien Debt (10.5%, Due 6/2016)(F)(I)	4,924	4,924	797
			6,598	6,598	1,068

		Secured First Lien Debt (13.0%, Due 6/2016)(F)(I)			
				12,508	2,025
Lindmark Acquisition, LLC	Broadcasting and entertainment	Secured First Lien Debt, $3,120 available (25.0%, Due Upon Demand)(F)(G)			
		Success Fee on Secured Second Lien Debt(F)			64
		Common Stock (100 shares)(F)(H)		317	
				317	64
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, $468 available (8.0%, Due 5/2016)(F)(G)	1,532	1,532	428
		Secured First Lien Debt (8.0%, Due 5/2016)(F)(G)	5,000	5,000	1,398
		Secured First Lien Debt (4.8%, Due 5/2016)(F)(I)	11,948	11,948	3,340
		Secured First Lien Debt (5.5%, Due 5/2016)(C)(F)(I)	10,700	10,700	2,991
		Preferred Stock (15,270 shares)(F)(H)(K)		5,275	
		Common Stock (1,867 shares)(F)(H)		740	
		Common Stock Warrants (72 shares) (F)(H)			
				35,195	8,157
Total Control Proprietary Investments (represented 6.6% of total investments at fair value)				**$ 54,406**	**$ 22,737**
TOTAL INVESTMENTS				**$ 401,053**	**$ 347,216**

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $292.3 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5 *Borrowings.* Additionally, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of June 30, 2015.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day London Interbank Offered Rate (LIBOR)) in effect at June 30, 2015, and due dates represent the contractual maturity date. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rates and any unused line of credit fees are excluded. Secured first lien debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) Last out tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT is generally paid after the other secured first lien debt holders but before all other debt and equity holders.

(D)

Fair value was based on an internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. (SPSE).

(E) Fair value was based on the indicative bid price (IBP) on or near June 30, 2015, offered by the respective syndication agent s trading desk.

(F) Fair value was based on the total enterprise value (TEV) of the portfolio company, which was then allocated to the portfolio company s securities in order of their relative priority in the capital structure.

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) Investment was exited subsequent to June 30, 2015, and, as such, was valued based on the exit price.

GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

(K) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(L) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

(M) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May, 9, 2024 or two years after all outstanding leverage has matured.

(N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

(O) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities.

(P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P):					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Secured Second Lien Debt (13.3%, Due 3/2018)(D)	$ 13,000	$ 12,899	$ 12,838
		Member Profit Participation (18.0% ownership)(F)(H)		1,000	
		Profit Participation Warrants (7.0% ownership)(F)(H)		244	
				14,143	12,838
Allison Publications, LLC	Printing and publishing	Secured First Lien Line of Credit, $0 available (8.3%, Due 9/2016)(D)	600	600	598
		Secured First Lien Debt (8.3%, Due 9/2018)(D)	2,875	2,875	2,864
		Secured First Lien Debt (13.0%, Due 9/2018)(C)(D)	5,400	5,400	5,380
				8,875	8,842
Alloy Die Casting Corp.	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.5%, Due 10/2018)(D)	5,235	5,235	5,228
		Preferred Stock (1,742 shares)(F)(H)		1,742	1,122
		Common Stock (270 shares)(F)(H)		18	
				6,995	6,350
Behrens Manufacturing, LLC	Diversified/conglomerate manufacturing	Secured First Lien Debt (13.0%, Due 12/2018)(D)	4,275	4,275	4,280
		Preferred Stock (1,253 shares)(F)(H)(M)		1,253	1,150

				5,528	5,430
Chinese Yellow Pages Company	Printing and publishing	Secured First Lien Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	95
Francis Drilling Fluids, Ltd.	Oil and gas	Secured Second Lien Debt (12.4%, Due 11/2017)(D)(K)	15,000	15,000	14,550
		Secured Second Lien Debt (11.3%, Due 11/2017)(J)(K)	7,000	7,000	7,000
		Preferred Equity Units (999 units)(F)(H)		983	1,081
		Common Equity Units (999 units)(F)(H)		1	206
				22,984	22,837
Funko, LLC	Personal and non-durable consumer products	Secured First Lien Debt (12.0% and 1.5% PIK, Due 5/2019)(D)	7,645	7,645	7,817
		Preferred Equity Units (1,305 units)(F)(H)		1,305	5,691
				8,950	13,508
GFRC Holdings, LLC	Buildings and real estate	Secured First Lien Line of Credit, $130 available (10.5%, Due 12/2014)(D)	270	270	149
		Secured First Lien Debt (10.5%, Due 6/2016)(D)	4,924	4,924	2,708
		Secured First Lien Debt (13.0%, Due 6/2016)(D)	6,598	6,598	3,761
				11,792	6,618
Heartland Communications Group	Broadcasting and entertainment	Secured First Lien Line of Credit, $0 available (5.0%, Due 9/2014)(D)(G)(I)	100	97	65
		Secured First Lien Line of Credit, $0 available (10.0%, Due 9/2014)(D)(G)(I)	100	93	65
		Secured First Lien Debt (5.0%, Due 9/2014)(D)(G)(I)	4,342	4,196	809
		Common Stock Warrants (8.8% ownership)(F)(H)		66	
				4,452	939
J.America, Inc.	Personal and non-durable	Secured Second Lien Debt (10.4%, Due 12/2019)(D)(G)	7,500	7,500	7,350
	consumer products		9,500	9,500	9,298

		Secured Second Lien Debt (11.5%, Due 12/2019)(D)(G)			
				17,000	16,648
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,827 uncalled capital commitment)(H)(O)		173	36
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Secured First Lien Debt (12.0%, Due 1/2014)(D)	6,699	6,699	3,757

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(P)] (Continued):					
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Debt (13.5%, Due 12/2018)[(D)]	$ 4,140	$ 4,140	$ 4,135
		Preferred Stock (1,449 shares)[(F)(H)]		1,449	1,549
				5,589	5,684
North American Aircraft Services, LLC	Aerospace and defense	Secured Second Lien Debt (12.5%, Due 8/2016)[(F)(L)]	2,115	2,115	2,115
		Success Fee on Secured Second Lien Debt[(F)(L)]			639
		Common Stock Warrants (35,000 shares)[(F)(H)(L)]		350	1,928
				2,465	4,682
Precision Acquisition Group Holdings, Inc.	Machinery	Equipment Note (9.0%, Due 3/2015)[(D)]	1,000	1,000	881
		Secured First Lien Debt (9.0%, Due 3/2015)[(D)]	4,125	4,125	485
		Secured First Lien Debt (9.0%, Due 3/2015)[(C)(D)]	4,053	4,053	457
				9,178	1,823
Saunders & Associates	Electronics	Secured First Lien Line of Credit, $0 available (11.3%, Due 5/2013)[(D)]	917	917	413
		Secured First Lien Debt (11.3%, Due 5/2013)[(D)]	8,947	8,947	4,026
				9,864	4,439
Southern Petroleum Laboratories, Inc.	Oil and gas	Secured Second Lien Debt (11.5%, Due 2/2020)[(J)]	8,000	8,000	8,000
				750	750

		Common Stock (100 shares)(H)(J)			
				8,750	8,750
Sunburst Media Louisiana, LLC	Broadcasting and entertainment	Secured First Lien Debt (8.5%, Due 2/2016)(F)(G)	6,026	6,026	1,600
WadeCo Specialties, Inc.	Oil and gas	Secured First Lien Line of Credit, $526 available (8.0%, Due 3/2015)(D)	1,474	1,474	1,452
		Secured First Lien Debt (8.0%, Due 3/2019)(D)	4,500	4,500	4,433
		Secured First Lien Debt (12.0%, Due 3/2019)(D)	4,500	4,500	4,421
		Preferred Stock (1,000 shares)(F)(H)		250	454
				10,724	10,760
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Debt (7.5%, Due 4/2016)(D)	50	50	46
		Secured First Lien Debt (12.5%, Due 4/2016)(D)	4,000	4,000	3,699
		Common Stock (58,333 shares)(H)		408	58
				4,458	3,803
Subtotal Non-Control/Non-Affiliate Proprietary Investments				**$ 164,753**	**$ 139,439**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Secured First Lien Debt (9.0% and 1.5% PIK, Due 3/2016)(E)	$ 7,335	$ 7,283	$ 6,235
Ardent Medical Services, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (11.0%, Due 1/2019)(E)	7,143	7,135	7,224
Autoparts Holdings Limited	Automobile	Secured Second Lien Debt (10.5%, Due 1/2018)(E)	833	830	800
Blue Coat Systems, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 6/2020)(E)	3,000	2,974	3,038
Envision Acquisition Company, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.8%, Due 11/2021)(E)	2,500	2,454	2,500
First American Payment Systems, L.P.	Finance	Secured Second Lien Debt (10.8%, Due 4/2019)(E)	4,195	4,167	4,205
GTCR Valor Companies, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)(E)	3,000	2,982	2,970
New Trident Holdcorp, Inc.			4,000	3,987	4,000

	Healthcare, education and childcare	Secured Second Lien Debt (10.3%, Due 7/2020)[(E)]			
PLATO Learning, Inc.	Healthcare, education and childcare	Secured Second Lien Debt (11.3%, Due 5/2019)[(E)]	5,000	4,925	5,000

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(P)] (Continued):					
RP Crown Parent, LLC	Electronics	Secured Second Lien Debt (11.3%, Due 12/2019)[(E)]	$ 2,000	$ 1,967	$ 1,898
Sensus USA, Inc.	Electronics	Secured Second Lien Debt (8.5%, Due 5/2018)[(E)]	500	497	495
Targus Group International, Inc.	Textiles and leather	Secured First Lien Debt (11.0% and 1.0% PIK, Due 5/2016)[(D)]	9,034	8,956	8,171
The Active Network, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 11/2021)[(E)]	1,000	995	1,000
Vision Solutions, Inc.	Electronics	Secured Second Lien Debt (9.5%, Due 7/2017)[(E)]	11,000	10,953	10,972
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Secured Second Lien Debt (9.3%, Due 11/2021)[(E)]	500	493	495
W3 Co.	Oil and Gas	Secured Second Lien Debt (9.3%, Due 9/2020)[(E)]	499	494	484
Subtotal Syndicated Investments				**$ 61,092**	**$ 59,487**
Total Non-Control/Non-Affiliate Investments (represented 70.7% of total investments at fair value)				**$ 225,845**	**$ 198,926**
AFFILIATE INVESTMENTS[(Q)] :					
Proprietary Investments:					
Ashland Acquisition LLC	Printing and publishing	Secured First Lien Line of Credit, $1,500 available (12.0%, Due 7/2016)[(D)(G)]	$	$	$

		Secured First Lien Debt (12.0%, Due 7/2018)(D)(G)	7,000	7,000	7,053
		Preferred Equity Units (4,400 units)(F)(H)		440	206
		Common Equity Units (4,400 units)(F)(H)			
				7,440	7,259
Edge Adhesives Holdings, Inc.	Diversified/conglomerate manufacturing	Secured First Lien Line of Credit, $230 available (12.5%, Due 8/2015)(D)	770	770	768
		Secured First Lien Debt (12.5%, Due 2/2019)(D)	6,200	6,200	6,208
		Secured First Lien Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,604
		Secured First Lien Debt (13.8%, Due 11/2014)(J)	585	585	585
		Preferred Stock (2,316 shares)(F)(H)		2,316	2,885
				11,471	12,050
FedCap Partners, LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units)(H)(N)		1,718	2,238
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Secured Second Lien Debt (12.0%, Due 3/2020)(D)	6,000	6,000	6,007
		Common Stock (100,000 shares)(F)(H)		1,000	1,169
				7,000	7,176
RBC Acquisition Corp.	Healthcare, education and childcare	Secured First Lien Line of Credit, $0 available (9.0%, Due 6/2014)(F)	4,000	4,000	4,000
		Mortgage Note (9.5%, Due 12/2014)(F)(G)	6,891	6,891	6,891
		Secured First Lien Debt (12.0%, Due 12/2014)(C)(F)	11,392	11,392	11,392
		Secured First Lien Debt (12.5%, Due 12/2014)(F)(G)	6,000	6,000	6,000
		Preferred Stock (4,999,000 shares)(F)(H)(M)		4,999	
				370	

		Common Stock (2,000,000 shares)(F)(H)			
				33,652	28,283
Total Affiliate Proprietary Investments (represented 20.3% of total investments at fair value)				**$ 61,281**	**$ 57,006**
CONTROL INVESTMENTS(R):					
Proprietary Investments:					
Defiance Integrated Technologies, Inc.	Automobile	Secured Second Lien Debt (11.0%, Due 4/2016)(F)	$ 6,545	$ 6,545	$ 6,545
		Common Stock (15,500 shares)(F)(H)		1	6,461
				6,546	13,006
Lindmark Acquisition, LLC	Broadcasting and entertainment	Secured First Lien Debt, $3,120 available (25.0%, Due Upon Demand)(F)(G)			
		Success Fee on Secured Second Lien Debt(F)			89
		Common Stock (100 shares)(F)(H)		317	
				317	89

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
CONTROL INVESTMENTS(R) (Continued):					
Midwest Metal Distribution, Inc.	Mining, steel, iron and non-precious metals	Secured Second Lien Debt (12.0%, Due 7/2015)(F)(I)	$18,281	$ 17,720	$ 4,455
		Preferred Stock (2,000 shares)(F)(H)(M)		2,175	
		Common Stock (501 shares)(F)(H)		138	
				20,033	4,455
Sunshine Media Holdings	Printing and publishing	Secured First Lien Line of Credit, $400 available (4.8%, Due 5/2016)(D)(I)	1,600	1,600	424
		Secured First Lien Debt (4.8%, Due 5/2016)(D)(I)	16,948	16,948	4,491
		Secured First Lien Debt (5.5%, Due 5/2016)(C)(D)(I)	10,700	10,700	2,889
		Preferred Stock (15,270 shares)(F)(H)(M)		5,275	
		Common Stock (1,867 shares)(F)(H)		740	
		Common Stock Warrants (72 shares)(F)(H)			
				35,263	7,804
Total Control Proprietary Investments (represented 9.0% of total investments at fair value)				**$ 62,159**	**$ 25,354**
TOTAL INVESTMENTS(S)				**$ 349,285**	**$ 281,286**

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $222.0 million at fair value, are pledged as collateral to our Credit

Facility, as described further in Note 5 *Borrowings.* Additionally, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the 1940 Act as of September 30, 2014.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day LIBOR) in effect at September 30, 2014, and due dates represent the contractual maturity date. If applicable, PIK interest rates are noted separately from the cash interest rates. Secured first lien debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) LOT of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT is generally paid after the other secured first lien debt holders but before all other debt and equity holders.

(D) Fair value was based on an internal yield analysis or on estimates of value submitted by SPSE.

(E) Fair value was based on the IBP on or near September 30, 2014, offered by the respective syndication agent s trading desk.

(F) Fair value was based on the TEV of the portfolio company, which was then allocated to the portfolio company s securities in order of their relative priority in the capital structure.

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New or follow-on proprietary investment valued at cost, as it was determined that the price paid during the three months ended September 30, 2014 best represents fair value as of September 30, 2014.

(K) Subsequent to September 30, 2014, the debt interest rates on Francis Drilling Fluids, Ltd. were decreased to approximately 11.9% and 10.8%, respectively, based on a leverage grid.

(L) Subsequent to September 30, 2014, North American Aircraft Services, LLC debt and equity investment cost basis were paid off, resulting in a realized gain of $1.6 million and success fees of $0.6 million. As such, the fair value as of September 30, 2014 was based upon the payoff amount.

(M) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(N) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

(O) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May, 9, 2024 or two years after all outstanding leverage has matured.

(P) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

(Q) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities.

(R) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

(S) Cumulative gross unrealized depreciation for federal income tax purposes is $84.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $15.6 million. Cumulative net unrealized depreciation is $68.7 million, based on a tax cost of $349.9 million.

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

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GLADSTONE CAPITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2015

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

Gladstone Capital Corporation was incorporated under the General Corporation Law of the State of Maryland on May 30, 2001, and completed an initial public offering on August 23, 2001. The terms the Company, we, our, and us all refer to Gladstone Capital Corporation and its consolidated subsidiaries. We are an externally-managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, we have elected to be treated for federal income tax purposes as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). We were established for the purpose of investing in debt and equity securities of established private businesses in the United States (U.S.). Our investment objectives are to (1) achieve and grow current income by investing in debt securities of established small and medium-sized businesses in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation of the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell them for capital gains.

Gladstone Business Loan, LLC (Business Loan), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio of investments in connection with our revolving line of credit.

Gladstone Financial Corporation (Gladstone Financial), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial acquired this license in February 2007. The license enables us to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of June 30, 2015 and September 30, 2014, we held no investments through Gladstone Financial.

The financial statements of the foregoing two subsidiaries are consolidated with ours. We also have significant subsidiaries whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by our investment advisor, Gladstone Management Corporation (the Adviser), a Delaware corporation and a Securities and Exchange Commission (the SEC) registered investment adviser and an affiliate of ours, pursuant to an investment advisory and management agreement (the Advisory Agreement). Administrative services are provided by our affiliate, Gladstone Administration, LLC (the Administrator), a Delaware limited liability company, pursuant to an administration agreement (the Administration Agreement).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, we have omitted certain disclosures accompanying annual financial statements prepared in accordance with GAAP. The accompanying *Condensed Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Under Article 6 of Regulation S-X, and the authoritative accounting guidance provided by the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are not permitted to consolidate any portfolio company investments, including those in which we have a controlling interest. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and nine months ended June 30, 2015, are not necessarily indicative of results that ultimately may be achieved for the fiscal year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, as filed with the SEC on November 12, 2014, and subsequently amended on December 29, 2014.

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Our accompanying fiscal year-end *Condensed Consolidated Statement of Assets and Liabilities* was derived from audited financial statements, but does not include all disclosures required by GAAP.

Reclassifications

Certain amounts in the prior year s financial statements have been reclassified to conform to the presentation for the nine months ended June 30, 2015, with no effect on our financial condition, results of operations or cash flows.

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and amortized cost basis of the investment, without regard to unrealized depreciation or appreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized depreciation or appreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized depreciation or appreciation when gains or losses are realized.

Board Responsibility

In accordance with the 1940 Act, our board of directors (our Board of Directors) has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on our established investment valuation policy (the Policy). Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses the Policy and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently.

Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments. Standard & Poor s Securities Evaluation, Inc. (SPSE) provides estimates of fair value on our proprietary debt investments. The Valuation Team generally assigns SPSE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimates of value on a specific debt investment may significantly differ from SPSE s. When this occurs, our Board of Directors reviews whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended value is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended valuation.

In addition, we began using a third party valuation firm starting with the March 31, 2015 quarter end to provide additional EBITDA multiple ranges, as well as other information, that may be incorporated into our total enterprise valuations of certain of our equity investments. Generally, at least once per year, we use an independent valuation firm to independently value or review our significant equity investments and provide additional information for us to consider in our total enterprise valuations. The Valuation Team reviews all information from the valuation firm and makes a recommendation to our Board of Directors as to valuations. Our Board of Directors then reviews the recommended value and whether it is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended valuation.

Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company s ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization (EBITDA)); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries; and other pertinent factors. The Valuation Team generally references industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then allocates the TEV to the portfolio company s securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

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TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses the DCF to calculate the TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

Yield Analysis The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team s own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

Market Quotes For our syndicate investments for which a limited market exists, fair value is generally based on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis explained above). In addition, the Valuation Team assesses trading activity for similar syndicated investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price (IBP) in the bid-to-ask price range obtained from the respective originating syndication agent s trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy.

Investments in Funds For equity investments in other funds, the Valuation Team generally determines the fair value of our uninvested capital at par value and of our invested capital at the net asset value (NAV) provided by the fund. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the most recently completed quarter are generally valued at original cost basis.

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

Refer to Note 3 *Investments* for additional information regarding fair value measurements and our application of ASC 820.

Interest Income Recognition

Interest income, adjusted for amortization of premiums, acquisition costs, and amendment fees and the accretion of original issue discounts (OID), is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when a loan s status significantly improves regarding the debtor s ability and intent to pay contractual amounts due, or past due principal and interest are paid and, in management s judgment, are likely to remain current, or, due to a restructuring, the interest income is deemed to be collectible. As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status with an aggregate debt cost basis of approximately $49.2 million, or 13.4% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $10.7 million, or 3.5% of the fair value of all debt investments in our portfolio. As of September 30, 2014, three portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $13.2 million, or 5.2% of the fair value of all debt investments in our portfolio.

We currently hold, and we expect to hold in the future, some loans in our portfolio that contain OID or paid-in-kind (PIK) provisions. We recognize OID for loans originally issued at discounts and recognize the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Therefore, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain our ability to be taxed as a RIC, we may need to pay out both of our OID and PIK non-cash income amounts in the form of distributions, even though we have not yet collected the cash on either.

As of June 30, 2015 and September 30, 2014, we had 17 original OID loans, primarily from the syndicated investments in our portfolio. We recorded OID income of $0.1 and $0.2 million for the three and nine months ended June 30, 2015, respectively, as compared to $59 and $0.2 million for the three and nine months ended June 30, 2014, respectively. The unamortized balance of OID investments as of June 30, 2015 and September 30, 2014, totaled $0.8 million and $0.6 million, respectively. As of June 30, 2015 and September 30, 2014, we had four and three investments, respectively, with a PIK interest component. We recorded PIK income of $0.3 and $0.5 million for the three and nine months ended June 30, 2015, respectively, as compared to $80 and $0.3 million for the three and nine months ended June 30, 2014, respectively. We collected $0 PIK interest in cash during the nine months ended June 30, 2015 and 2014, respectively.

Other Income Recognition

We generally record success fees upon our receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We recorded an aggregate of $1.7 million in success fees during the nine months ended June 30, 2015, which resulted from $0.6 million related to the early payoff of North American Aircraft Services, LLC (NAAS) at a realized gain, $0.3 million prepayment of success fees by Francis Drilling Fluids, LLC (FDF), $0.5 million prepayment of success fees by Defiance Integrated Technologies, Inc. (Defiance), $0.1 million prepayment of success fees by Southern Petroleum Laboratories, Inc. (SPL) and $0.2 million of success fees related to our sale of substantially all of the assets in Lindmark Acquisition, LLC (Lindmark) and the ensuing pay down of our debt investments in Lindmark at par in September 2013. We recorded an aggregate of $1.6 million in success fees during the nine months ended June 30, 2014, which resulted from $0.5 million related to the early payoff of Thibaut Acquisition Co. at par, $0.5 million prepayment by FDF and $0.6 million received as a result of our sale of substantially all of the assets in Lindmark in September 2013.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. During the nine months ended June 30, 2015, we recorded an aggregate of $0.6 million of dividend income, which resulted from $0.1 million from our preferred equity investment in FDF, $0.2 from our preferred equity investment in Funko, LLC (Funko) and $0.3 million from our preferred equity investment in SPL. During the nine months ended June 30, 2014, we recorded an aggregate of $1.0 million of dividend income, net of estimated income taxes payable, which resulted from $0.2 million on our preferred equity investment in FDF, $0.7 million on our investment in FedCap Partners, LLC and $0.1 million on our preferred equity investment in Funko.

Success fees and dividend income are both recorded in other income in our accompanying *Condensed Consolidated Statements of Operations.*

Recent Accounting Pronouncements

In May 2015, the FASB issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2015-07), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measures at net asset value per share (or its equivalent) using the practical expedient in the FASB s fair value measurement guidance. We are currently assessing the impact of ASU 2015-07 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-07 is required to be adopted retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU-2015-03), which simplifies the presentation of debt issuance costs. We are currently assessing the impact of ASU 2015-03 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The new standard changes the way a reporting entity evaluates whether a) limited partnerships and similar entities should be consolidated, b) fees paid to decision makers or service providers are variable interests in a variable interest entity (VIE), and c) variable interests in a VIE held by related parties require the reporting entity to consolidate the VIE. ASU 2015-02 also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. We are currently assessing the impact of ASU 2015-02 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, with early adoption permitted.

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In August 2014, the FASB issued ASU 2014 15, *Presentation of Financial Statements Going Concern (Subtopic 205 40): Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. We are currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for the annual period ending after December 31, 2016 and for annual periods and interim periods thereafter, with early adoption permitted.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. We are currently assessing the impact of ASU 2014-09 and anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2014-09 is effective for annual reporting periods that begin after December 15, 2017 and interim periods within those years, with early adoption not permitted.

NOTE 3. INVESTMENTS

Fair Value

In accordance with ASC 820, our investments fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement.

However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of June 30, 2015 and September 30, 2014, all of our investments were valued using Level 3 inputs and during the nine months ended June 30, 2015 and 2014, there were no investments transferred into or out of Levels 1, 2 or 3.

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The following table presents our investments carried at fair value as of June 30, 2015 and September 30, 2014, by caption on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and by security type, all of which are valued using Level 3 inputs:

	Total Recurring Fair Value Measurements Reported in *Condensed Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	June 30, 2015	**September 30, 2014**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 124,798**	$ 78,031
Secured second lien debt	**102,167**	106,869
Preferred equity	**26,201**	10,593
Common equity/equivalents	**2,878**	3,433
Total Non-Control/Non-Affiliate Investments	**$ 256,044**	$ 198,926
Affiliate Investments		
Secured first lien debt	**$ 50,324**	$ 43,915
Secured second lien debt	**11,970**	6,593
Preferred equity	**1,445**	3,091
Common equity/equivalents	**4,696**	3,407
Total Affiliate Investments	**$ 68,435**	$ 57,006
Control Investments		
Secured first lien debt	**$ 10,182**	$ 7,804
Secured second lien debt	**6,449**	11,089
Preferred equity		
Common equity/equivalents	**6,106**	6,461
Total Control Investments	**$ 22,737**	$ 25,354
Total Investments at Fair Value	**$ 347,216**	$ 281,286

In accordance with the FASB s ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Reporting Standards (IFRS)*, (ASU 2011-04), the following table provides quantitative information about our Level 3 fair value measurements of our investments as of June 30, 2015 and September 30, 2014. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity-related calculations for the particular input.

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Quantitative Information about Level 3 Fair Value Measurements

	June 30, 2015	September 30, 2014	Valuation Technique/ Methodology	Unobservable Input	Range / Weighted Average as of June 30, 2015	Range / Weighted Average as of September 30, 2014
Secured first lien debt	**$ 134,533**	$ 68,252	Yield Analysis	Discount Rate	2.8% - 30.0% / 12.7%	8.4% - 18.8% / 13.3%
	32,598	55,263	TEV	EBITDA multiple	6.5x 6.5x /6.5x	4.0x - 7.6x / 6.2x
				EBITDA	$1,255 - $1,255 / $1,255	$247 - $3,700 / $1,906
				Revenue multiple	0.3x 1.0x / 0.8x	0.6x 0.8x / 0.7x
				Revenue	$7,977 - $11,391 /$10,344	$2,416 - $5,327 / $4,151
	18,173	6,235	Market Quotes	IBP	83.0% - 95.0% /89.6%	85.0% - 85.0% / 85.0%
Secured second lien debt(A)	**74,391**	65,628	Yield Analysis	Discount Rate	11.0% - 13.3% /12.5%	11.3% - 13.8% / 12.5%
	37,997	45,080	Market Quotes	IBP	81.0% - 101.1% / 96.6%	94.9% - 101.3% / 99.8%
	8,198	13,843	TEV	EBITDA multiple	4.4x 7.5x /5.3x	4.3x 7.1x / 6.1x
				EBITDA	$4,062 - $40,167 / $14,658	$3,520 - $6,219 / $3,901
Preferred and common equity / equivalents(B)	**39,269**	24,711	TEV	EBITDA multiple	3.7x 7.6x / 6.4x	4.3x 7.6x / 6.1x
				EBITDA	$1,255 - $40,167 / $9,771	$998 - $15,685 / $4,135
	2,057	2,274	Investments in Funds			
Total Investments, at Fair Value	**$ 347,216**	$ 281,286				

(A) June 30, 2015 includes one syndicated investment which was valued at the subsequent payoff amount of $7.2 million. September 30, 2014 includes one new proprietary debt investment for $8.0 million and two follow-on debt investments for a combined $7.6 million, which were all valued at cost. September 30, 2014 includes one proprietary investment, which was valued at the subsequent payoff amount totaling $2.8 million.

(C) September 30, 2014 includes one new proprietary equity investment for $0.8 million, which was valued at cost, and one proprietary equity investment, which was valued at payoff amount totaling $1.9 million.

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in market yields, discounts rates, leverage, EBITDA or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of our investments. Generally, an increase or decrease in market yields, discount rates or leverage, or a decrease or increase in EBITDA or EBITDA multiples (or revenue or revenue multiples), may result in a corresponding decrease or increase, in the fair value of certain of our investments.

The following tables provide the changes in fair value, broken out by security type, during the three and nine months ended June 30, 2015 and 2014 for all investments for which we determine fair value using unobservable (Level 3) factors.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2015:

Three Months Ended June 30, 2015	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of March 31, 2015	**$ 194,644**	**$ 128,777**	**$ 25,402**	**$ 14,817**	**$ 363,640**
Total gains (losses):					
Net realized (loss) gain(A)	(1,334)	191			(1,143)
Net unrealized (depreciation) appreciation(B)	(4,700)	3,172	2,123	(3,898)	(3,303)
Reversal of prior period net depreciation (appreciation) on realization(B)	2,294	(138)			2,156
New investments, repayments and settlements:(C)					
Issuances/originations	1,045	289	200	125	1,659
Settlements/repayments	(1,953)	(2,933)	(79)		(4,965)
Net proceeds from sales	(4,692)	(6,136)			(10,828)
Transfers		(2,636)		2,636	
Fair Value as of June 30, 2015	**$ 185,304**	**$ 120,586**	**$ 27,646**	**$ 13,680**	**$ 347,216**

Nine Months Ended June 30, 2015	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of September 30, 2014	**$ 129,750**	**$ 124,551**	**$ 13,684**	**$ 13,301**	**$ 281,286**
Total gains (losses):					
Net realized (loss) gain(A)	(1,334)	(11,955)	(2,175)	1,440	(14,024)
Net unrealized (depreciation) appreciation(B)	(8,321)	(2,804)	12,131	(2,362)	(1,356)
Reversal of prior period net depreciation (appreciation) on realization(B)	2,294	12,489	2,175	(1,440)	15,518
New investments, repayments and settlements:(C)					
Issuances/originations	71,078	18,789	2,244	2,117	94,228
Settlements/repayments	(3,471)	(5,577)	(413)	(434)	(9,895)
Net proceeds from sales	(4,692)	(12,271)		(1,578)	(18,541)
Transfer		(2,636)		2,636	
Fair Value as of June 30, 2015	**$ 185,304**	**$ 120,586**	**$ 27,646**	**$ 13,680**	**$ 347,216**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR 2014:

Three Months Ended June 30, 2014	**Secured First Lien Debt**	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Fair Value as of March 31, 2014	**$ 148,098**	**$ 126,064**	**$ 10,182**	**$ 8,976**	**$ 293,320**
Total gains (losses):					
Net realized gain(A)	52	2			54
Net unrealized (depreciation) appreciation(B)	(20,413)	(3,973)	(662)	2,359	(22,689)
Reversal of prior period net appreciation on realization(B)	(150)	(10)			(160)
New investments, repayments and settlements:(C)					
Issuances/originations	440	2,000	1,000		3,440
Settlements/repayments	(5,536)	(3,170)		(176)	(8,882)
Fair Value as of June 30, 2014	**$ 122,491**	**$ 120,913**	**$ 10,520**	**$ 11,159**	**$ 265,083**

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Nine Months Ended June 30, 2014	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of September 30, 2013	**$ 122,949**	**$ 122,421**	**$ 5,066**	**$ 6,442**	**$ 256,878**
Total gains (losses):					
Net realized (loss) gain[(A)]	(13,445)	87		69	(13,289)
Net unrealized (depreciation) appreciation[(B)]	(13,358)	(12,999)	(4,128)	3,850	(26,635)
Reversal of prior period net depreciation (appreciation) on realization[(B)]	17,018	(225)		(70)	16,723
New investments, repayments and settlements:[(C)]					
Issuances/originations	32,412	40,000	9,689	1,268	83,369
Settlements/repayments	(18,385)	(28,371)	(107)	(400)	(47,263)
Net proceeds from sales	(4,700)				(4,700)
Fair Value as of June 30, 2014	**$ 122,491**	**$ 120,913**	**$ 10,520**	**$ 11,159**	**$ 265,083**

(A) Included in net realized gain (loss) on our accompanying *Condensed Consolidated Statements of Operations* for the three and nine months ended June 30, 2015 and 2014.

(B) Included in net unrealized appreciation (depreciation) of investments on our accompanying *Condensed Consolidated Statements of Operations* for the three and nine months ended June 30, 2015 and 2014.

(C) Includes increases in the cost basis of investments resulting from new portfolio investments, the amortization of discounts, and PIK, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Investment Activities

Proprietary Investments

As of June 30, 2015 and September 30, 2014, we held 30 and 29 proprietary investments with an aggregate fair value of $285.2 million and $221.8 million, or 82.1% and 78.9% of the total aggregate portfolio at fair value, respectively. During the nine months ended June 30, 2015, we invested in four new proprietary investments totaling $52.8 million; sold two proprietary investments for combined net proceeds of $10.8 million, resulting in a combined realized loss of $15.8 million; and had one proprietary investment pay off early generating net proceeds of $2.5 million and a realized gain of $1.6 million, for which we received success fees of $0.6 million. Additionally, during the nine months ended June 30, 2015, we funded a combined $24.4 million to existing proprietary portfolio companies through revolver draws and follow on investments, while scheduled and unscheduled principal repayments totaled $4.2 million from existing proprietary portfolio companies (exclusive of the aforementioned combined $13.3 million in net proceeds). The following significant proprietary investment transactions occurred during the nine months ended June 30, 2015:

B+T Holdings Inc. In December 2014, we invested $8.1 million, along with an unfunded line of credit of $0.3 million, in B+T Holdings Inc. (B+T), through a combination of secured first lien debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with one of our affiliated funds, Gladstone Investment Corporation (Gladstone Investment).

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

Midwest Metal Distribution, Inc. In December 2014, we sold our investment in Midwest Metal Distribution, Inc. (Midwest Metal) for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the nine months ended June 30, 2015. Midwest Metal had been on non-accrual status at the time of the sale.

LWO Acquisitions Company, LLC, In December 2014, we invested $13.5 million, along with an unfunded line of credit of $1.5 million, in LWO Acquisitions Company, LLC, (LWO Acquisitions) through a combination of secured first lien debt and equity. LWO Acquisitions, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.

Vision Government Solutions, Inc. In December 2014, we invested $10.0 million, along with an unfunded line of credit of $1.0 million, in Vision Government Solutions, Inc. (Vision) through secured first lien debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.

United Flexible, Inc. In February 2015, we invested $21.2 million, along with an unfunded line of credit of $4.0 million, in United Flexible, Inc. (formerly known as Precision Metal Hose, Inc.) (United Flexible) through a combination of secured first lien debt and equity. United Flexible, headquartered in Romeoville, IL, is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gasses in extreme environments.

Sunburst Media Louisiana, LLC In June 2015, we exited our investment in Sunburst Media Louisiana, LLC (Sunburst) for net proceeds of $4.7 million, which resulted in a realized loss of $1.3 million recorded in the quarter ended June 30, 2015.

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Syndicated Investments

We held a total of 16 syndicated investments with an aggregate fair value of $62.1 million or 17.9% of our total investment portfolio at fair value, as of June 30, 2015, as compared to 16 syndicated investments with an aggregate fair value of $59.5 million, or 21.1% of our total investment portfolio at fair value, as of September 30, 2014. During the nine months ended June 30, 2015, we invested in three new syndicated investments for a combined $12.5 million and also invested an additional $4.0 million in an existing syndicated portfolio company. Additionally during the nine months ended June 30, 2015, we sold three syndicated investments for combined net proceeds of $6.1 million, resulting in a combined realized gain of $0.2 million.

Investment Concentrations

As of June 30, 2015, our investment portfolio consisted of investments in 46 companies located in 20 states across 19 different industries, with an aggregate fair value of $347.2 million. The five largest investments at fair value as of June 30, 2015, totaled $118.9 million, or 34.2% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2014, which totaled $94.3 million, or 33.5% of our total investment portfolio. As of June 30, 2015, our average investment by obligor was $8.7 million at cost, compared to $7.8 million at cost as of September 30, 2014. The following table outlines our investments by security type as of June 30, 2015 and September 30, 2014:

	June 30, 2015				**September 30, 2014**			
	Cost	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**	**Cost**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Secured first lien debt	**$ 243,669**	**60.8%**	**$ 185,304**	**53.4%**	$ 182,086	52.1%	$ 129,750	46.1%
Secured second lien debt	**124,068**	**30.9**	**120,586**	**34.7**	137,719	39.5	124,551	44.3
Total Debt Investments	**367,737**	**91.7**	**305,890**	**88.1**	319,805	91.6	254,301	90.4
Preferred equity	**21,591**	**5.4**	**27,646**	**8.0**	21,936	6.2	13,684	4.9
Common equity/equivalents	**11,725**	**2.9**	**13,680**	**3.9**	7,544	2.2	13,301	4.7
Total Equity Investments	**33,316**	**8.3**	**41,326**	**11.9**	29,480	8.4	26,985	9.6
Total Investments	**$ 401,053**	**100.0%**	**$ 347,216**	**100.0%**	$ 349,285	100.0%	$ 281,286	100.0%

Investments at fair value consisted of the following industry classifications as of June 30, 2015 and September 30, 2014:

	June 30, 2015		**September 30, 2014**	
Industry Classification	**Fair Value**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Diversified/conglomerate manufacturing	**$ 60,698**	**17.5%**	$ 27,634	9.8%

Oil and gas	**53,536**	**15.4**	42,831	15.2
Personal and non-durable consumer products	**47,791**	**13.8**	30,157	10.7
Healthcare, education and childcare	**36,030**	**10.4**	47,538	16.9
Printing and publishing	**24,265**	**7.0**	23,999	8.5
Electronics	**18,821**	**5.4**	24,811	8.8
Automobile	**18,052**	**5.2**	19,489	6.9
Other, < 2.0% (A)	**14,938**	**4.3**	6,279	2.2
Diversified/conglomerate services	**14,242**	**4.1**		
Diversified natural resources, precious metals and minerals	**13,916**	**4.0**	7,176	2.6
Cargo transportation	**13,293**	**3.8**	12,838	4.6
Finance	**8,546**	**2.5**	4,205	1.5
Textiles and leather	**7,431**	**2.1**	8,171	2.9
Beverage, food and tobacco	**6,990**	**2.0**	6,235	2.2
Broadcast and entertainment	**4,996**	**1.4**	6,386	2.3
Buildings and real estate	**2,025**	**0.6**	6,617	2.4
Aerospace and defense	**1,646**	**0.5**	6,920	2.5
Total Investments	**$ 347,216**	**100.0%**	$ 281,286	100.0%

(A) No industry within this category exceeds 2.0% of the total fair value as of the respective periods.

Investments at fair value were included in the following geographic regions of the U.S. as of June 30, 2015 and September 30, 2014:

	June 30, 2015		September 30, 2014	
Geographic Region	**Fair Value**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Midwest	**$ 125,515**	**36.1%**	$ 107,387	38.2%
South	**115,253**	**33.2**	92,355	32.8
West	**95,034**	**27.4**	80,744	28.7
Northeast	**11,414**	**3.3**	800	0.3
Total Investments	**$ 347,216**	**100.0%**	$ 281,286	100.0%

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

Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2015:

For the Fiscal Years Ending September 30:		**Amount**
For the remaining three months ending September 30:	2015	$ 22,478
	2016	110,493
	2017	10,271
	2018	32,989
	2019	62,740
	Thereafter	129,793
	Total contractual repayments	**$ 368,764**
	Equity investments	33,316
	Adjustments to cost basis on debt investments	(1,027)
	Total Cost Basis of Investments Held at June 30, 2015:	**$ 401,053**

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs that we have incurred on behalf of portfolio companies and are included in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. As of June 30, 2015 and September 30, 2014, we had gross receivables from portfolio companies totaling $0.7 million and $0.4 million, respectively. The allowance for uncollectible receivables from portfolio companies totaled $0.2 million and $0.1 million as of June 30, 2015 and September 30, 2014, respectively, which is reflected in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. In addition, as of June 30, 2015 and September 30, 2014, we recorded an allowance for uncollectible interest receivables totaling $1.4 million and $0.4 million, respectively, which is reflected in interest receivable on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. We generally maintain allowances for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined based upon management s judgment that the portfolio company is unable to pay its obligations.

NOTE 4. RELATED PARTY TRANSACTIONS

Transactions with the Adviser

We pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee, as provided for in the Advisory Agreement and of a loan servicing fee, for the Adviser s role as servicer pursuant to our revolving line of credit, each as described below. The Adviser is controlled by our chairman and chief executive officer. On July 14, 2015, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, approved the annual renewal of the Advisory Agreement through August 31, 2016.

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The following table summarizes the base management, loan servicing, and incentive fees and associated voluntary and irrevocable fee credits for the three and nine months ended June 30, 2015 and 2014, reflected in our accompanying *Condensed Consolidated Statements of Operations*:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Average total assets subject to base management fee[A]	**$ 371,800**	$ 292,200	**$ 350,450**	$ 294,700
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%	**1.5%**	1.5%
Base management fee[B]	**$ 1,859**	$ 1,461	**$ 5,257**	$ 4,421
Portfolio company fee credit[C]	**(73)**	(38)	**(840)**	(669)
Senior syndicated loan fee credit[D]	**(41)**	(29)	**(120)**	(88)
Net Base Management Fee	**$ 1,745**	$ 1,394	**$ 4,297**	$ 3,664
Loan servicing fee[B]	**1,015**	917	**2,802**	2,628
Credits to base management fee loan servicing fee[B]	**(1,015)**	(917)	**(2,802)**	(2,628)
Net Loan Servicing Fee	**$**	$	**$**	$
Incentive fee[B]	**1,021**	1,266	**2,866**	3,361
Incentive fee credit[E]	**(754)**		**(754)**	(515)
Net Incentive Fee	**$ 267**	$ 1,266	**$ 2,112**	$ 2,846
Portfolio company fee credit[C]	**(73)**	(38)	**(840)**	(669)
Senior syndicated loan fee credit[D]	**(41)**	(29)	**(120)**	(88)
Incentive fee credit[E]	**(754)**		**(754)**	(515)
Credit to Fees From Adviser other[B]	**$ (868)**	$ (67)	**$ (1,714)**	$ (1,272)

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Condensed Consolidated Statements of Operations*.

(C) As a BDC, we make available significant managerial assistance to our portfolio companies through the personnel of the Adviser. The Adviser may also provide other services to our portfolio companies under other agreements and may receive fees for services other than managerial assistance. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. At the end of each quarter, the Adviser voluntarily, irrevocably and unconditionally credits 100.0% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, primarily for valuation of portfolio companies, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser.

(D) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit from the Adviser to reduce the annual 2.0% base management fee on senior syndicated loan participations to 0.5% for the quarter, to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations, for the three and nine months ended June 30, 2015 and 2014.

(E) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of the distributions to common stockholders for the three and nine months ended June 30, 2015 and for the nine months ended June 30, 2014.

Base Management Fee

The base management fee is computed and payable quarterly and is assessed at an annual rate of 2.0%, computed on the basis of the value of our average total assets at the end of the two most recently-completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. The base management fee is then adjusted by certain voluntary, irrevocable and unconditional credits from the Adviser as explained in the notes to the table above.

Incentive Fee

The incentive fee consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of

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our net assets (the hurdle rate). The income-based incentive fee with respect to our pre-incentive fee net investment income is generally payable quarterly to the Adviser and is computed as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);

- 100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and

- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that will be determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio s aggregate unrealized capital depreciation, if any and excluding any unrealized capital appreciation, as of the date of the calculation. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since inception. The entire portfolio s aggregate unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio s aggregate unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded since our inception through June 30, 2015, as cumulative net unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

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

Loan Servicing Fee

The Adviser also services the loans held by Business Loan (the borrower under our line of credit), in return for which the Adviser receives a 1.5% annual fee payable monthly based on the aggregate outstanding balance of loans pledged under our line of credit. 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 2.0% 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.

Administration Agreement

The Administration Agreement provides for payments equal to our portion of the Administrator s expenses incurred while performing services to us, which are primarily rent and the salaries, benefits and expenses of the Administrator s employees, including, but not limited to, our chief financial officer and treasurer, chief compliance officer, chief valuation officer, and general counsel and secretary (who also serves as the Administrator s president) and their respective staffs. Prior to July 1, 2014, our portion of the expenses were generally derived by multiplying that portion of the Administrator s expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser.

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

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Related Party Fees Due

Fees due to related parties as of June 30, 2015 and September 30, 2014 on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* were as follows:

	June 30, 2015		September 30, 2014	
Net base management fee due to Adviser	**$**	**951**	$	604
Net incentive fee due to Adviser		**267**		271
Total fees due to Adviser, net of credits		**1,218**		875
Fee due to Administrator		**235**		218
Total Related Party Fees Due	**$**	**1,453**	$	1,093

Other operating expenses due to the Adviser as of June 30, 2015 and September 30, 2014, totaled $13 and $20, respectively. In addition, other net co-investment expenses payable to Gladstone Investment (for reimbursement purposes) totaled $0.1 million and $41 as of June 30, 2015 and September 30, 2014, respectively. These expenses were paid in full in the quarter subsequent to being incurred and have been included in other liabilities on the accompanying *Condensed Consolidated Statements of Assets and Liabilities* as of June 30, 2015 and September 30, 2014, respectively.

Note Receivable from Former Employee

During the nine months ended June 30, 2015, our employee note receivable was repaid in full and all shares of common stock that were held as collateral were released. During the nine months ended June 30, 2015, we received $0.1 million in principal repayments from the former employee, who paid off the note in full. We did not receive any principal repayments during the nine months ended June 30, 2014. We recognized interest income from the employee note of $1 and $4 for the three and nine months ended June 30, 2015, respectively and $3 and $11 for the three and nine months ended June 30, 2014, respectively.

NOTE 5. BORROWINGS

Revolving Credit Facility

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

On June 19, 2015, we through Business Loan, entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity under our Credit Facility by $30.0 million to $170.0 million. We incurred fees of approximately $0.6 million in connection with this expansion, which are being amortized through our Credit Facility s revolving period end date of January 19, 2019.

The following tables summarize noteworthy information related to our Credit Facility (at cost) as of June 30, 2015 and September 30, 2014 and during the three and nine months ended June 30, 2015 and 2014:

	June 30, 2015	September 30, 2014
Commitment amount	**$ 170,000**	$ 137,000
Borrowings outstanding	**104,600**	36,700
Availability	**33,470**	57,500

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2015	2014	2015	2014
Weighted average borrowings outstanding	**$ 109,792**	$ 49,389	**$ 84,748**	$ 43,086
Effective interest rate[(A)]	**3.8%**	5.7%	**4.3%**	6.2%
Commitment (unused) fees incurred	**$ 42**	$ 221	**$ 314**	$ 707

(A) Excludes the impact of deferred financing fees.

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Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank and with The Bank of New York Mellon Trust Company, N.A as custodian. KeyBank, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consent. Our Credit Facility also generally limits payments on distributions to our stockholders to our aggregate net investment income and capital gains for each of the twelve month periods ending September 30, 2015, 2016, 2017, and 2018. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $205.0 million as of June 30, 2015, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Section 18 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of June 30, 2015, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $259.4 million, asset coverage of 221.0% and an active status as a BDC and RIC. In addition, we had 33 obligors in our Credit Facility s borrowing base as of June 30, 2015. As of June 30, 2015, we were in compliance with all of our Credit Facility covenants.

Pursuant to the terms of our Credit Facility, on July 15, 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our Credit Facility. The one month LIBOR cap is set at 5.0%. We incurred a premium fee of $62 in conjunction with this agreement, which is recorded in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities.* As of June 30, 2015 and September 30, 2014, the fair value of our interest rate cap agreement was $0.

Fair Value

We elected to apply the fair value option of ASC 825, *Financial Instruments*, specifically for our Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and also takes into account the Valuation Team s own assumptions, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of June 30, 2015, due to the recent amendment of our Credit Facility and comparable market factors, the fair value of our Credit Facility was determined to approximate cost. As of September 30, 2014, the discount rate used to determine the fair value of our Credit Facility was 4.0%. Generally, an increase or decrease in the discount rate used in the DCF calculation, may result in a corresponding decrease or increase, respectively, in the fair value of our Credit Facility. As of June 30, 2015 and September 30, 2014, our Credit Facility was valued using Level 3 inputs and any changes in its fair value is recorded in net unrealized appreciation (depreciation) of other on our accompanying *Condensed Consolidated Statements of Operations*.

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The following tables present our Credit Facility carried at fair value as of June 30, 2015 and September 30, 2014, on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the three and nine months ended June 30, 2015 and 2014:

	Total Recurring Fair Value Measurement Reported in *Condensed Consolidated Statements of Assets and Liabilities Using Significant Unobservable Inputs* (Level 3)	
	June 30, 2015	**September 30, 2014**
Credit Facility	**$ 104,600**	$ 38,013

Fair Value Measurements Using Significant Unobservable Data Inputs (Level 3)

	Three Months Ended June 30,	
	2015	**2014**
Fair value as of March 31, 2015 and 2014, respectively	**$ 114,793**	$ 60,514
Borrowings	**15,500**	13,800
Repayments	**(25,000)**	(38,900)
Net unrealized (depreciation) appreciation[(A)]	**(693)**	1,146
Fair Value as of June 30, 2015 and 2014, respectively	**$ 104,600**	$ 36,560

	Nine Months Ended June 30,	
	2015	**2014**
Fair value as of September 30, 2014 and 2013, respectively	**$ 38,013**	$ 47,102
Borrowings	**109,000**	91,000
Repayments	**(41,100)**	(102,800)
Net unrealized (depreciation) appreciation[(A)]	**(1,313)**	1,258
Fair Value as of June 30, 2015 and 2014, respectively	**$ 104,600**	$ 36,560

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying C*ondensed Consolidated Statements of Operations* for the three and nine months ended June 30, 2015 and 2014.

The fair value of the collateral under our Credit Facility was approximately $292.3 million and $222.0 million in aggregate as of June 30, 2015 and September 30, 2014, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In May 2014, we completed a public offering of approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share (Series 2021 Term Preferred Stock), at a public offering price of $25.00 per share. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share (Series 2016 Term Preferred Stock) and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. In connection with the voluntary redemption of our Series 2016 Term Preferred Stock, we recognized a realized loss on extinguishment of debt of $1.3 million, which was reflected on our statement of operations for the three months ended June 30, 2014 and which was primarily comprised of the unamortized deferred issuance costs at the time of redemption.

We incurred $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and are being amortized over the redemption period ending June 30, 2021. The shares of our Series 2021 Term Preferred Stock are traded under the ticker symbol GLADO on the NASDAQ Global Select Market (NASDAQ). Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series 2021 Term Preferred Stock and (2) if we fail to maintain an asset coverage ratio of at least 200.0% and do not take steps to cure such asset coverage amount within a specified period of time. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at the Redemption Price in our sole discretion to have an asset coverage ratio of up to and including 240.0% and at any time on or after June 30, 2017. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of June 30, 2015, we have not redeemed any of our outstanding Series 2021 Term Preferred Stock.

In November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock, at a public offering price of $25.00 per share. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. In May 2014, when we voluntarily redeemed our Series 2016 Term Preferred Stock, the remaining unamortized costs were fully written off as part of the realized loss on extinguishment of debt discussed above. Our Series 2016 Term Preferred Stock provided for a fixed dividend rate equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year).

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We paid the following monthly distributions on our Series 2021 Term Preferred Stock for the nine months ended June 30, 2015:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2021 Term Preferred Share
2015	October 7, 2014	October 22, 2014	October 31, 2014	$0.1406250
	October 7, 2014	November 17, 2014	November 26, 2014	0.1406250
	October 7, 2014	December 19, 2014	December 31, 2014	0.1406250
	January 13, 2015	January 23, 2015	February 3, 2015	0.1406250
	January 13, 2015	February 18, 2015	February 27, 2015	0.1406250
	January 13, 2015	March 20, 2015	March 31, 2015	0.1406250
	April 14, 2015	April 24, 2015	May 5, 2015	0.1406250
	April 14, 2015	May 19, 2015	May 29, 2015	0.1406250
	April 14, 2015	June 19, 2015	June 30, 2015	0.1406250
		Nine Months Ended June 30, 2015:		**$1.2656250**

We paid the following monthly distributions on our Series 2016 Term Preferred Stock for the nine months ended June 30, 2014:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Term Preferred Share
2014	October 8, 2013	October 22, 2013	October 31, 2013	$0.14843750
	October 8, 2013	November 14, 2013	November 29, 2013	0.14843750
	October 8, 2013	December 16, 2013	December 31, 2013	0.14843750
	January 7, 2014	January 22, 2014	January 31, 2014	0.14843750
	January 7, 2014	February 19, 2014	February 28, 2014	0.14843750
	January 7, 2014	March 17, 2014	June 30, 2014	0.14843750
	April 8, 2014	April 21, 2014	April 30, 2014	0.14843750
	April 8, 2014	May 20, 2014	May 23, 2014[(A)]	0.14843750
		Nine Months Ended June 30, 2014:		$1.18750000

(A) We redeemed all of the outstanding shares of our Series 2016 Term Preferred Stock on May 23, 2014 and at that time, we paid the May dividends in full for record holders as of May 20, 2014.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities in the balance sheet and we have recorded our term preferred stock at cost as of June 30, 2015 and September 30, 2014. The related distribution payments to preferred stockholders are treated as dividend expense on our statement of operations as of the ex-dividend date. For disclosure purposes, the fair value, based on the last quoted closing price, for our Series 2021 Term Preferred Stock as of June 30, 2015 and September 30, 2014, was approximately $61.0 million and $63.0 million, respectively. We consider our mandatorily redeemable preferred stock to be a Level 1 liability within the ASC 820 hierarchy.

Aggregate preferred stockholder distributions declared and paid on our Series 2016 Term Preferred Stock for the nine months ended June 30, 2014, were approximately $1.8 million. Aggregate preferred stockholder distributions declared and paid on our Series 2021 Term Preferred Stock for the nine months ended June 30, 2015 and 2014, were approximately $3.1 million and $0.5 million, respectively. For federal income tax purposes, distributions paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

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

In addition, on February 27, 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or the Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock.

As of June 30, 2015, we had the ability to issue up to $237.8 million in securities under our Registration Statement. We sold approximately 2.4 million shares, or $61.0 million in gross proceeds, of Series 2021 Term Preferred Stock under our Registration Statement in May 2014 and an aggregate of 131,462 shares, or $1.2 million in gross proceeds, of common stock under the Sales Agreements during the nine months ended June 30, 2015. No other securities had been sold under our Registration Statement as of June 30, 2015.

NOTE 8. NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER WEIGHTED AVERAGE COMMON SHARE

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share for the three and nine months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
Numerator for net increase (decrease) in net assets resulting from operations per weighted average common share	**$ 3,307**	$ (20,175)	**$ 13,180**	$ (11,771)
Denominator for net increase (decrease) in net assets resulting from operations per weighted average common share	**21,123,202**	21,000,160	**21,045,014**	21,000,160
Net increase (decrease) in net assets resulting from operations per weighted average common share	**$ 0.16**	$ (0.96)	**$ 0.63**	$ (0.56)

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC, we are required to distribute to our stockholders 90.0% of our investment company taxable income. The amount to be paid out as distributions to our stockholders is determined by our Board of Directors quarterly and is based on management s estimate of our fiscal year earnings. Based on that estimate, our Board of Directors declares three monthly distributions each quarter.

The federal income tax characterization of all distributions is reported to our stockholders on the Internal Revenue Service Form 1099 at the end of each calendar year. For each of the nine months ended September 30, 2014, approximately 100.0% of our common distributions were deemed to be paid from a return of capital and for each of October, November and December 2014, approximately 100.0% of our common distributions were deemed to be paid from ordinary income for Form 1099 reporting purposes. For each of the nine months ended September 30, 2013, approximately 92.0% of our common distributions were deemed to be paid from ordinary income, with the remainder of approximately 8.0% deemed to be from a return of capital and for each of October, November and December 2013, approximately 100.0% of our common distributions were deemed to be paid from ordinary income for Form 1099 reporting purposes. In determining the characterization of distributions, the Internal Revenue Code Section 316(b)(4) allows RICs to apply current earnings and profits first to distributions made during the portion of the tax year prior to January 1, which in our case would be the three months ended December 31. The return of capital in both the 2014 and 2013 calendar years for Form 1099 reporting purposes resulted primarily from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

We paid the following monthly distributions to common stockholders for the nine months ended June 30, 2015 and 2014:

Fiscal Year	**Declaration Date**	**Record Date**	**Payment Date**	**Distribution per Common Share**
2015	October 7, 2014	October 22, 2014	October 31, 2014	$ 0.07
	October 7, 2014	November 17, 2014	November 26, 2014	0.07
	October 7, 2014	December 19, 2014	December 31, 2014	0.07
	January 13, 2015	January 23, 2015	February 3, 2015	0.07
	January 13, 2015	February 18, 2015	February 27, 2015	0.07
	January 13, 2015	March 20, 2015	March 31, 2015	0.07
	April 14, 2015	April 24, 2015	May 5, 2015	0.07
	April 14, 2015	May 19, 2015	May 29, 2015	0.07
	April 14, 2015	June 19, 2015	June 30, 2015	0.07
			Nine Months Ended June 30, 2015:	**$ 0.63**

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Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2014	October 8, 2013	October 22, 2013	October 31, 2013	$ 0.07
	October 8, 2013	November 14, 2013	November 29, 2013	0.07
	October 8, 2013	December 16, 2013	December 31, 2013	0.07
	January 7, 2014	January 22, 2014	January 31, 2014	0.07
	January 7, 2014	February 19, 2014	February 28, 2014	0.07
	January 7, 2014	March 17, 2014	June 30, 2014	0.07
	April 8, 2014	April 21, 2014	April 30, 2014	0.07
	April 8, 2014	May 20, 2014	May 30, 2014	0.07
	April 8, 2014	June 19, 2014	June 30, 2014	0.07
			Nine Months Ended June 30, 2014:	**$ 0.63**

Aggregate distributions declared and paid to our common stockholders for the nine months ended June 30, 2015 and 2014, were each approximately $13.3 million and $13.2 million, respectively, and were declared based on estimates of net investment income for the respective periods. For our federal income tax reporting purposes, we determine the tax characterization of our common stockholder distributions at fiscal year-end based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization. If we characterized our common stockholder distributions for the nine months ended June 30, 2015, 100.0% would be a return of capital, primarily due to GAAP realized losses being recognized as ordinary losses for federal income tax purposes. For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock dividends), resulting in a partial return of capital of approximately $15.2 million. The return of capital for the nine months ended June 30, 2015 and the year ended September 30, 2014, primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

For the nine months ended June 30, 2015 and the year ended September 30, 2014, we recorded the following adjustments for book-tax differences to reflect tax character.

	Nine Months Ended June 30, 2015	Year Ended September 30, 2014
Overdistributed net investment income	**$ (1,945)**	$ (2,556)
Accumulated net realized losses	**16,113**	18,144
Capital in excess of par value	**(14,168)**	(15,588)

NOTE 10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe such loss contingencies are probable and estimable and therefore, as of June 30, 2015, we have not established reserves for such loss contingencies. Additionally, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows.

Financial Commitments and Obligations

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements.

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

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The following table summarizes the amounts of our unused line of credit and uncalled capital commitments as of June 30, 2015 and September 30, 2014, which are not reflected as liabilities in the accompanying *Condensed Consolidated Statements of Assets and Liabilities*:

	June 30, 2015	September 30, 2014
Unused line of credit commitments	**$ 13,620**	$ 5,905
Uncalled capital commitment	**2,362**	2,827
Total	**$ 15,982**	$ 8,732

NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Nine Months Ended June 30, 2015	Nine Months Ended June 30, 2014
Per Common Share Data[(A)]:				
Net asset value at beginning of period[(A)]	**$ 9.55**	$ 9.79	**$ 9.51**	$ 9.81
Net investment income[(B)]	**0.23**	0.24	**0.58**	0.66
Net realized loss on investments and escrows[(B)]	**(0.05)**		**(0.69)**	(0.63)
Realized loss on extinguishment of debt[(B)]		(0.06)		(0.06)
Net unrealized (depreciation) appreciation of investments[(B)]	**(0.06)**	(1.09)	**0.67**	(0.47)
Net unrealized depreciation (appreciation) of other[(B)]	**0.04**	(0.05)	**0.07**	(0.06)
Distributions to common stockholders[(A)(C)]	**(0.21)**	(0.21)	**(0.63)**	(0.63)
Issuance of common stock[(B)]	**0.03**		**0.06**	
Offering costs for issuance of common stock[(B)]			**(0.01)**	
Dilutive effect of common stock issuance[(B)]	**(0.03)**		**(0.06)**	
Other, net[(D)]	**(0.01)**		**(0.01)**	
Net asset value at end of period[(A)]	**$ 9.49**	$ 8.62	**$ 9.49**	$ 8.62
Market value at beginning of period	**$ 8.27**	$ 10.08	**$ 8.77**	$ 8.73
Market value at end of period	**7.90**	10.06	**7.90**	10.06
Total return[(E)]	**(8.01)%**	1.94%	**(5.40)%**	22.91%

Common shares outstanding at end of period	**21,131,622**	21,000,160	**21,131,622**	21,000,160
Statement of Assets and Liabilities Data:				
Net assets at end of period	**$ 200,643**	$ 180,991	**$ 200,643**	$ 180,991
Average net assets[(F)]	**201,891**	197,391	**199,206**	205,425
Senior Securities Data:				
Borrowings under Credit Facility, at cost	**104,600**	35,100	**104,600**	35,100
Mandatorily redeemable preferred stock	**61,000**	61,000	**61,000**	61,000
Asset coverage ratio[(G)]	**221%**	290%	**221%**	290%
Asset coverage per unit[(H)]	**$ 2,210**	$ 2,896	**$ 2,210**	$ 2,896
Ratios/Supplemental Data:				
Ratio of operating expenses to average net assets-annualized[(I)]	**9.25%**	8.39%	**9.04%**	8.18%
Ratio of net operating expenses to average net assets-annualized[(J)]	**5.51**	6.40	**6.01**	5.65
Ratio of net expenses to average net assets-annualized[(K)]	**10.10**	10.37	**10.49**	9.05
Ratio of net investment income to average net assets-annualized	**9.58**	10.26	**8.18**	9.06

(A) Based on actual common shares outstanding at the end of the corresponding period.

(B) Based on weighted average basic per common share data.

(C) Distributions to common stockholders are determined based on taxable income calculated in accordance with income tax regulations which may differ from income amounts determined under GAAP.

(D) Represents the impact of the different share amounts (weighted average shares outstanding during the period and shares outstanding at the end of the period) in the per share data calculations and rounding impacts.

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

(F) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.

(G) As a BDC, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200.0% on our senior securities representing indebtedness and our senior securities that are stock. Our mandatorily redeemable preferred stock is a senior security that is stock.

(H) Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

(I) Ratio of operating expenses to average net assets is computed using total expenses, excluding interest expense on borrowings, dividend expense on mandatorily redeemable preferred stock and amortization of deferred financing fees. If these expenses were not excluded the ratios for the three and nine months ended June 30, 2015 and 2014 would have been 13.83% and 13.51% and 12.37% and 11.58%, respectively.

(J) Ratio of net operating expenses to average net assets is computed using total expenses, net of credits from the Adviser, and excluding interest expense on borrowings, dividend expense on mandatorily redeemable preferred stock and amortization of deferred financing fees.

(K) Ratio of net expenses to average net assets is computed using total expenses, net of credits from the Adviser.

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NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC s Regulation S-X and GAAP, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest. We had certain unconsolidated subsidiaries, specifically Defiance, Midwest Metal, RBC Acquisition Corp., and GFRC Holdings, LLC, as of June 30, 2015 and September 30, 2014 and for the nine months ended June 30, 2015 and 2014, that met at least one of the significance conditions of the SEC s Regulation S-X. Accordingly, pursuant to Regulation S-X, summarized, comparative financial information, in aggregate, is presented below for the nine months ended June 30, 2015 and 2014 for our significant unconsolidated subsidiaries.

	Nine Months Ended June 30,	
Income Statement	**2015[(A)]**	**2014**
Net sales	**$ 114,557**	$ 114,295
Gross profit	**13,417**	16,238
Net loss	**(18,769)**	(5,634)

(A) We exited Midwest Metal in December 2014 and as such its financial results are included only through the date of exit.

NOTE 13. SUBSEQUENT EVENTS

Portfolio Activity

Subsequent to June 30, 2015, we invested an aggregate $0.5 million in follow-on investments to existing portfolio companies. In addition, in July 2015, we invested $7.2 million in Mikawaya, Inc. (Mikawaya) through a combination of secured second lien debt and equity and $13.0 million in StrataTech Education Group (StrataTech) through secured first lien debt. Mikawaya, headquartered in Vernon, California, is a producer of Japanese pastries and specialty frozen desserts. StrataTech, headquartered in Phoenix, AZ, operates post-secondary skilled trade institutions through its subsidiaries.

We also received $8.5 million in aggregate scheduled and unscheduled principal repayments from existing portfolio companies, including $7.2 million from the sale of our investment in Ardent Medical Services, Inc.

Distributions to Stockholders

In July 2015, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2021 Term Preferred Share

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

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (dollar amounts in thousands, except per share amounts and as otherwise indicated)

All statements contained herein, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with Gladstone Management Corporation and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe, will, provided anticipate, future, could, growth, plan, intend, expect, should, would, if, seek, possible, negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) the degree and nature of our competition; (8) our ability to maintain our qualification as a RIC and as business development company; and (9) those factors described herein and in Item 1A. Risk Factors herein and in the Risk Factors section of our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on November 12, 2014, and subsequently amended on December 29, 2014. We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this report. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise or any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Quarterly Report on Form 10-Q. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

The following analysis of our financial condition and results of operations should be read in conjunction with our accompanying *Condensed Consolidated Financial Statements* and the notes thereto contained elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, filed with the SEC on November 12, 2014, and subsequently amended on December 29, 2014. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition or results of operations for any future periods.

OVERVIEW

General

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

Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We intend for our investment portfolio to consist of approximately 90.0% debt investments and 10.0% equity investments, at cost. As of June 30, 2015, our investment portfolio was made up of approximately 91.7% debt investments and 8.3% equity investments, at cost.

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

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

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

Business

Portfolio Activity

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

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

Capital Raising

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

Although we were able to access the capital markets in May 2014 with our term preferred stock offering and in February through April 2015 with our at-the-market program (refer to *Recent Developments At-the-Market Program* for further discussion of this program), we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may challenge our ability to finance new investments through the issuance of equity. The current volatility in the credit market and the uncertainty surrounding the U.S. economy have led to significant stock market fluctuations over the last year, particularly with respect to the stock of financial services companies like ours. During times of increased price volatility, our common stock may be more likely to trade at a price below our net asset value (NAV) per share, which is not uncommon for BDCs.

On July 28, 2015, the closing market price of our common stock was $7.74, a 18.4% discount to our June 30, 2015, NAV per share of $9.49. When our stock trades below NAV per common share, as it has at times traded over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 12, 2015, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our board of directors (our Board of Directors) makes certain determinations prior to any such sale.

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

Regulatory Compliance

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

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

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

Investment Highlights

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

Investment Activity

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

Issuances and Originations

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

In December 2014, we invested $8.1 million, along with an unfunded line of credit of $0.3 million, in B+T Holdings Inc. (B+T), through a combination of secured first lien debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with Gladstone Investment, which invested an additional $19.6 million under the same terms as us.

In December 2014, we invested $13.5 million, along with an unfunded line of credit of $1.5 million, in LWO Acquisitions Company LLC, (LWO Acquisitions) through a combination of secured first lien debt and equity. LWO Acquisitions, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.

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In December 2014, we invested $10.0 million, along with unfunded line of credit of $1.0 million, in Vision Government Solutions, Inc. (Vision) through secured first lien debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.

In February 2015, we invested $21.2 million, along with an unfunded line of credit of $4.0 million, in United Flexible, Inc. (formerly known as Precision Metal Hose, Inc.) (United Flexible) through a combination of secured first lien debt and equity. United Flexible, headquartered in Romeoville, IL, is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gasses in extreme environments.

Repayments and Sales:

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

In October 2014, North American Aircraft Services, LLC (NAAS) paid off early resulting in a $1.6 million realized gain and success fees of $0.6 million recorded in the three months ended December 31, 2014. The resulting internal rate of return at payoff was 18.0%.

In December 2014, we sold our investment in Midwest Metal Distribution, Inc. (Midwest Metal) for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the nine months ended June 30, 2015. Midwest Metal had been on non-accrual status at the time of the sale.

In June 2015, we exited our investment in Sunburst Media Louisiana, LLC (Sunburst) for net proceeds of $4.7 million, which resulted in a realized loss of $1.3 million.

Refer to Note 13 *Subsequent Events* in the accompanying *Condensed Consolidated Financial Statements* included elsewhere in this Form 10-Q for portfolio activity occurring subsequent to June 30, 2015. Below are the significant originations and exits which occurred subsequent to June 30, 2015:

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

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

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

Recent Developments

Expansion of Revolving Credit Facility

On June 19, 2015, we through Gladstone Business Loan, LLC (Business Loan), a wholly owned subsidiary of ours, we entered into certain joinder and assignment agreements with three new lenders to increase borrowing capacity on our Credit Facility by $30.0 million to $170.0 million. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our revolving line of credit.

Amendment and Extension of Revolving Credit Facility

On May 1, 2015, we, through Business Loan, entered into a Fifth Amended and Restated Credit Agreement (our Credit Facility). The amendment included increasing the commitment amount from $137.0 million to $140.0 million, extending the revolving period end date by three years to January 19, 2019, decreasing the marginal interest rate added to 30-day London Interbank Offered Rate (LIBOR) from 3.75% to 3.25% per annum, setting the unused commitment fee at 0.50% on all undrawn amounts and expanding the scope of eligible collateral, among other amended terms and conditions. Our Credit Facility was arranged by KeyBank National Association (KeyBank), as administrative agent, lead arranger and a lender. If our Credit Facility is not renewed or extended by January 19, 2019, all principal and interest will be due and payable on or before May 1, 2020. Subject to certain terms and conditions, our Credit Facility may be expanded up to a total of $250.0 million through commitments of new or existing lenders. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of our Credit Facility.

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At-the-Market Program

On February 27, 2015, we entered into equity distribution agreements (commonly referred to as at-the-market agreements or our Sales Agreements) with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent, under which we may issue and sell, from time to time, through the Sales Agents, up to an aggregate offering price of $50.0 million shares of our common stock. During the nine months ended June 30, 2015, we sold an aggregate of 131,462 shares of our common stock for gross proceeds of $1.2 million. No other shares of common stock have been sold under these Sales Agreements subsequent to June 30, 2015.

Executive Officers

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

Registration Statement

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

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RESULTS OF OPERATIONS

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

	Three Months Ended June 30,			
	2015	**2014**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 9,107**	$ 8,184	$ 923	11.3%
Other income	**828**	1,996	(1,168)	(58.5)
Total investment income	**9,935**	10,180	(245)	(2.4)
EXPENSES				
Base management fee	**1,859**	1,461	398	27.2
Loan servicing fee	**1,015**	917	98	10.7
Incentive fee	**1,021**	1,266	(245)	(19.4)
Administration fee	**235**	219	16	7.3
Interest expense on borrowings	**1,033**	710	323	45.5
Dividend expense on mandatorily redeemable preferred stock	**1,029**	937	92	9.8
Amortization of deferred financing fees	**253**	314	(61)	(19.4)
Other expenses	**537**	277	260	93.9
Expenses before credits from Adviser	**6,982**	6,101	881	14.4
Credits to base management fee loan servicing fee	**(1,015)**	(917)	(98)	(10.7)
Credits to fees from Adviser other	**(868)**	(67)	(801)	NM
Total expenses, net of credits	**5,099**	5,117	(18)	(0.4)
NET INVESTMENT INCOME	**4,836**	5,063	(227)	(4.5)
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized (loss) gain on investments and escrows	**(1,075)**	54	(1,129)	NM
Realized loss on extinguishment of debt		(1,297)	1,297	100.0
Net unrealized depreciation of investments	**(1,147)**	(22,849)	21,702	95.0
Net unrealized depreciation (appreciation) of other	**693**	(1,146)	1,839	NM
Net loss from investments and other	**(1,529)**	(25,238)	23,709	93.9
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 3,307**	$ (20,175)	$ 23,482	NM%

NM = Not Meaningful

Investment Income

Interest income increased by 11.3% for the three months ended June 30, 2015, as compared to the prior year period. This increase was due primarily to the seven new investments that we funded during the nine months ended June 30, 2015. The interest income from these new investments was partially offset by allowances on certain interest receivables totaling $0.2 million, which reduced interest income during the three months ended June 30, 2015, and resulted in a lower weighted average yield on our portfolio. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2015, was $330.6 million, compared to $285.3 million for the prior year period, an increase of 16.2%. The annualized weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments which decreased to 11.1% for the three months ended June 30, 2015 compared to 11.5% for the three months ended June 30, 2014, inclusive of any allowances on interest receivables made during those periods.

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

For the three months ended June 30, 2015, other income consisted primarily of $0.3 million in success fees prepaid by Defiance Integrated Technologies, Inc. (Defiance), $0.3 million in dividend income and prepaid success fees recorded as a receivable from Southern Petroleum Laboratories, Inc. (SPL) and $0.2 million in dividend income received from Funko, LLC (Funko). Other income for the three

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months ended June 30, 2014, consisted primarily of $0.7 million in dividend income received from FedCap Partners, LLC (FedCap), $0.5 million in success fees received from the early payoff at par of Thibaut Acquisition Co. (Thibaut), $0.4 million in legal settlement proceeds received related to an investment which was previously sold and $0.2 million in success fees received related to our sale of substantially all of the assets of Lindmark Acquisition, LLC (Lindmark) and the ensuing pay down of our debt investments in Lindmark at par in September 2013.

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

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

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

(A) New investment during applicable period.

Expenses

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

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

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

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

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

(A) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of the distributions to common stockholders for the three months ended June 30, 2015. No such credit was granted for the three months ended June 30, 2014.

Net Realized and Unrealized Gain (Loss)

Net Realized Loss on Investments and Escrows

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

Net Unrealized Appreciation (Depreciation) of Investments

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

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

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

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

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

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

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

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

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

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

Net Unrealized Depreciation (Appreciation) of Other

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

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

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

NM = Not Meaningful

Investment Income

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

As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status, with an aggregate debt cost basis of approximately $49.2 million, or 13.4%, of the cost basis of all debt investments in our portfolio. Effective April 1, 2015, we placed Saunders on non-accrual status and effective January 1, 2015, we placed GFRC on non-accrual status and restored two tranches of Sunshine debt to accrual status. During the three months ended December 31, 2014, we sold our investment in Midwest Metal that had been on non-accrual status. As of June 30, 2014, three of our portfolio companies were on non-accrual, with an aggregate debt cost basis of approximately $52.1 million, or 16.2%, of the cost basis of all debt investments in our portfolio. Effective January 1, 2014, we placed Heartland Communications Group (Heartland) on non-accrual status and effective June 1, 2014 we placed Midwest Metal on non-accrual status. During the three months ended December 31, 2013, we sold our investment in LocalTel, LLC (LocalTel) that had been on non-accrual status.

For the nine months ended June 30, 2015, other income consisted primarily of $0.6 million in success fees related to the early payoff of NAAS at a realized gain, $0.5 million in success fees prepaid by Defiance, $0.3 million in success fees prepaid by FDF, $0.3 million in dividend income and prepaid success fees recorded as a receivable from SPL, $0.2 million in dividend income received from FDF and $0.2 million of success fees

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received related to our sale of substantially all of the assets in Lindmark in September 2013. For the nine months ended June 30, 2014, other income consisted primarily of $0.7 million in dividend income received from FedCap, $0.5 million in success fees received related to the early payoff of Thibaut at par, $0.4 million in legal settlement proceeds received related to a portfolio company previously sold, $0.5 million in prepaid success fees received from FDF, $0.1 million in prepayment fees received from POP Radio, LLC (POP), $0.3 million in dividend income and other fees received from FDF and $0.6 million in success fees received related to our sale of substantially all of the assets of Lindmark in September 2013.

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

	As of June 30, 2015		Nine Months Ended June 30, 2015	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
Funko, LLC	$ 31,221	9.0%	$ 914	3.3%
RBC Acquisition Corp.	22,416	6.5	1,543	5.5
WadeCo Specialties, Inc.	22,173	6.4	1,368	4.9
Francis Drilling Fluids, Ltd.	21,708	6.2	2,301	8.3
United Flexible, Inc.(A)	21,335	6.1	749	2.7
Subtotal five largest investments	**118,853**	**34.2**	**6,875**	**24.7**
Other portfolio companies	228,363	65.8	21,005	75.3
Other non-portfolio company revenue			4	
Total Investment Portfolio	**$ 347,216**	**100.0%**	**$ 27,884**	**100.0%**

	As of June 30, 2014		Nine Months Ended June 30, 2014	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
J.America, Inc.(A)	$ 17,045	6.4%	$ 966	3.5%
Francis Drilling Fluids, Ltd.	15,677	5.9	2,181	7.8
AG Transportation Holdings, LLC	12,903	4.9	1,367	4.9
RBC Acquisition Corp.	12,496	4.7	2,986	10.7
Defiance Integrated Technologies, Inc.	12,133	4.6	559	2.0
Subtotal five largest investments	**70,254**	**26.5**	**8,059**	**28.9**
Other portfolio companies	194,829	73.5	19,832	71.1
Other non-portfolio company revenue			12	
Total Investment Portfolio	**$ 265,083**	**100.0%**	**$ 27,903**	**100.0%**

(A) New investment during applicable period.

Expenses

Expenses, net of any voluntary, irrevocable and non-contractual credits to fees from the Adviser, increased for the nine months ended June 30, 2015, by 12.3%, as compared to the prior year period. This increase was primarily due to the increase in our net base management fees to the Advisor, interest expense on borrowings, and dividend expense on our mandatorily redeemable preferred stock, partially offset by the decrease in the net incentive fee to the Adviser during the nine months ended June 30, 2015.

Interest expense increased by $0.7 million, or 37.2%, during the nine months ended June 30, 2015, as compared to the prior year period, primarily due to increased borrowings outstanding on our Credit Facility during the period. The weighted average balance outstanding on our Credit Facility during the nine months ended June 30, 2015, was approximately $84.7 million, as compared to $43.1 million in the prior year period, an increase of 96.7%. This increase was slightly offset by the decrease in advance rates on our borrowings effective May 1, 2015, per the recent amendment and restatement of our Credit Facility.

The increase of $0.8 million, or 33.7%, in dividend expense on our mandatorily redeemable preferred stock during the nine months ended June 30, 2015, as compared to the prior year period, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014, and which was partially offset by the voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our term preferred stock.

The increase of $0.6 million, or 17.3%, in the net base management fee earned by the Adviser during the nine months ended June 30, 2015, as compared to the prior year period, was due primarily to an increase in the average total assets outstanding as a result of the net growth in our investment portfolio during the period. The base management, loan servicing and incentive fees and associated unconditional, non-contractual, and irrevocable voluntary credits are computed quarterly, as described under *Transactions with the Advisor* in Note 4 of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

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	Nine Months Ended June 30, 2015	2014
Average total assets subject to base management fee	**$ 350,450**	$ 294,700
Multiplied by prorated annual base management fee of 2.0%	**1.5%**	1.5%
Base management fee	**$ 5,257**	$ 4,421
Portfolio company fee credit	**(840)**	(669)
Senior syndicated loan fee credit	**(120)**	(88)
Net Base Management Fee	**$ 4,297**	$ 3,664
Loan servicing fee	**2,802**	2,628
Credits to base management fee loan servicing fee	**(2,802)**	(2,628)
Net Loan Servicing Fee	**$**	$
Incentive fee	**2,866**	3,361
Incentive fee credit[(A)]	**(754)**	(515)
Net Incentive Fee	**$ 2,112**	$ 2,846
Portfolio company fee credit	**(840)**	(669)
Senior syndicated loan fee credit	**(120)**	(88)
Incentive fee credit	**(754)**	(515)
Credit to Fees From Adviser other	**$ (1,714)**	$ (1,272)

(A) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not cover 100.0% of the distributions to common stockholders for the nine months ended June 30, 2015 and 2014.

Net Realized and Unrealized Gain (Loss)

Net Realized Loss on Investments and Escrows

For the nine months ended June 30, 2015, we recorded a net realized loss on investments and escrows of $14.5 million, which resulted primarily from the sales of Midwest Metal and Sunburst for a combined realized loss of $15.8 million and net proceeds of $10.8 million in the aggregate. This realized loss was partially offset by the realized gain of $1.6 million we recognized on the early payoff of NAAS.

For the nine months ended June 30, 2014, we recorded a net realized loss on investments and escrows of $13.3 million, which consisted primarily of realized losses of $10.8 million due to our sale of LocalTel for proceeds contingent on an earn-out and $2.8 million due to our sale of BAS Broadcasting (BAS) for net proceeds of $4.7 million.

Net Unrealized Appreciation (Depreciation) of Investments

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the nine months ended June 30, 2015, we recorded net unrealized appreciation of investments of $14.2 million, which included reversals totaling $15.5 million in cumulative unrealized depreciation primarily related to the sales of Midwest Metal and Sunburst during the period. Excluding reversals, we have $1.3 million in net unrealized depreciation for the nine months ended June 30, 2015. Over our entire portfolio, the net unrealized appreciation for the nine months ended June 30, 2015, consisted of approximately $11.1 million of depreciation on our debt investments and approximately $9.8 of appreciation on our equity investments.

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

	Nine Months Ended June 30, 2015			
Portfolio Company	**Realized (Loss) Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Funko, LLC	$	$ 15,858	$	$ 15,858
Precision Acquisition Group Holdings, Inc.		3,392		3,392
Sunburst Media Louisiana, LLC	(1,333)	2,130	2,295	3,092
Ameriqual Group, LLC		708		708
Behrens Manufacturing, LLC		608		608
Midwest Metal Distribution, Inc.	(14,980)		15,578	598
Southern Petroleum Laboratories, Inc.		501		501
Sunshine Media Holdings		421		421
Ashland Acquisitions, LLC		405		405
AG Transportation Holdings, LLC		395		395
Westland Technologies, Inc.		385		385
Heartland Communications Group		347		347
Defiance Integrated Technologies, Inc.		(355)		(355)
SourceHOV LLC		(416)		(416)
FedCap Partners, LLC		(507)		(507)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
WadeCo Specialties, Inc.		(649)		(649)
Targus Group International, Inc.		(702)		(702)
Meridian Rack & Pinion, Inc.		(759)		(759)
Francis Drilling Fluids, Ltd.		(795)		(795)
B+T Group Acquisition Inc.		(1,828)		(1,828)
Edge Adhesives Holdings, Inc.		(2,170)		(2,170)
Saunders & Associates		(3,255)		(3,255)
PLATO Learning, Inc.		(3,558)		(3,558)
GFRC Holdings, LLC		(5,308)		(5,308)
RBC Acquisition Corp.		(5,867)		(5,867)
Other, net (<$250)[A]	220	(337)	(139)	(256)
Total:	**$ (14,515)**	**$ (1,356)**	**$ 15,518**	**$ (353)**

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

The largest driver of our net unrealized depreciation (excluding reversals) for the nine months ended June 30, 2015, was due to incremental declines in the financial and operational performance of RBC of $5.9 million, GFRC of $5.3 million, Plato Learning, Inc. (Plato) of $3.6 million and Saunders of $3.3 million. Partially offsetting this net unrealized depreciation for the nine months ended June 30, 2015, was the net unrealized appreciation of Funko of

$15.9 million due to improvements in financial and operation performance and the increase in comparable multiples used in the valuation.

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the nine months ended June 30, 2014, we recorded net unrealized depreciation of investments in the aggregate amount of $9.9 million, which included reversals totaling $16.7 million in cumulative unrealized depreciation, primarily related to our sales of LocalTel and BAS. Excluding reversals, we had $26.6 million in net unrealized depreciation for the nine months ended June 30, 2014. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the nine months ended June 30, 2014, consisted of approximately $26.3 million of depreciation on our debt investments and approximately $0.3 million of depreciation on our equity investments.

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

	Nine Months Ended June 30, 2014			
Portfolio Company	**Realized (Loss) Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
BAS Broadcasting	$ (2,765)	$ 187	$ 6,905	$ 4,327
Defiance Integrated Technologies, Inc.		3,639		3,639
Legend Communications of Wyoming, LLC		2,703		2,703
Sunshine Media Holdings		2,247		2,247
Francis Drilling Fluids, Ltd.		1,118		1,118
WP Evenflo Group Holdings, Inc.		1,105		1,105
Funko, LLC		1,047		1,047
Sunburst Media Louisiana, LLC		974		974
GFRC Holdings, LLC		600	45	645
Edge Adhesives Holdings, Inc.		511		511
Westland Technologies, Inc.		328		328
North American Aircraft Services, LLC		326		326
Lignetics, Inc.		299		299
LocalTel, LLC	(10,774)		10,218	(556)
Targus Group International, Inc.		(640)		(640)
Ameriqual Group, LLC		(829)		(829)
FedCap Partners, LLC		(933)		(933)
Alloy Die Casting Co.		(1,364)		(1,364)
Precision Acquisition Group Holdings, Inc.		(3,831)		(3,831)
Midwest Metal Distribution, Inc.		(13,452)		(13,452)
RBC Acquisition Corp.		(21,117)		(21,117)
Other, net (<$250)[(A)]	280	447	(445)	282
Total:	**$ (13,259)**	**$ (26,635)**	**$ 16,723**	**$ (23,171)**

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

The largest driver of our net unrealized depreciation (excluding reversals) for the nine months ended June 30, 2014, was a decrease in financial and operational performance and, to a lesser extent, a decrease in comparable multiples used in valuing RBC of $21.1 million and Midwest Metal of $13.5 million. This unrealized depreciation for the nine months ended June 30, 2014, was partially offset by unrealized appreciation on certain portfolio companies, due to incremental improvements in their financial and operational performance, and to a lesser extent, an increase in comparable multiples used in valuations, most notably that of Defiance of $3.6 million.

As of June 30, 2015, the fair value of our investment portfolio was less than its cost basis by approximately $53.8 million, and our entire investment portfolio was valued at 86.6% of cost, as compared to cumulative net unrealized depreciation of $68.0 million and a valuation of our entire portfolio at 80.5% of cost as of September 30, 2014. This represents net unrealized appreciation of our investments of $14.2 million for the nine months ended June 30, 2015. Eleven of the companies in our portfolio as of June 30, 2015 originated before December 31, 2008, represent 31.6% of the entire cost basis of our portfolio, were valued at 51.3% of cost and include all of our non-accrual investments. The remaining 35 companies in our portfolio as of June 30, 2015 originated after December 31, 2008, represent 68.4% of the entire cost basis of our portfolio and were valued at 102.8% of cost.

We believe that our aggregate investment portfolio was valued at a depreciated value as of June 30, 2015, primarily due to the lingering effects of the recession that began in 2008 and its effect on the performance of certain of our portfolio companies and also because we were invested in certain industries that were disproportionately impacted by the recession. The cumulative net unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution to stockholders.

Net Unrealized Depreciation (Appreciation) of Other

Net unrealized depreciation (appreciation) of other includes the net change in the fair value of our Credit Facility and our interest rate cap during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. During the nine months ended June 30, 2015 and 2014, we recorded net unrealized depreciation of other of $1.3 million and net unrealized appreciation of other of $1.3 million, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Our cash flows from operating activities are primarily generated from the interest payments on debt securities that we receive from our portfolio companies, as well as net proceeds received through repayments or sales of our investments. We utilize this cash primarily to fund new investments, make interest payments on our Credit Facility, make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash used in operating activities during the nine months ended June 30, 2015, was $52.3 million, as compared to $0.8 million for the nine months ended June 30, 2014. The increase in cash used in operating activities was primarily due to an increase in investments to new portfolio companies, partially offset by a decrease in unscheduled principal repayments during the nine months ended June 30, 2015.

As of June 30, 2015, we had loans to, syndicated participations in, or equity investments in 46 private companies with an aggregate cost basis of approximately $401.1 million. As of June 30, 2014, we had loans to, syndicated participations in and/or equity investments in 49 private companies with an aggregate cost basis of approximately $350.4 million.

The following table summarizes our total portfolio investment activity during the nine months ended June 30, 2015 and 2014, at fair value:

	Nine Months Ended June 30,	
	2015	**2014**
Beginning investment portfolio, at fair value	**$ 281,286**	$ 256,878
New investments	**65,348**	72,981
Disbursements to existing portfolio companies	**28,417**	10,180
Scheduled principal repayments	**(776)**	(2,164)
Unscheduled principal repayments	**(9,284)**	(45,169)
Net proceeds from sales of investments	**(18,541)**	(4,700)
Net unrealized depreciation of investments	**(1,356)**	(26,635)
Reversal of prior period net unrealized depreciation on realization	**15,518**	16,723
Net realized loss on investments	**(14,024)**	(13,289)
Increase in investment balance due to PIK[(A)]	**463**	208
Cost adjustments on non-accrual loans	**384**	
Net change in premiums, discounts and amortization	**(219)**	70
Investment Portfolio, at Fair Value	**$ 347,216**	$ 265,083

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

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

For the Fiscal Years Ending September 30:		**Amount**
For the remaining three months ending September 30:	2015	$ 22,478
	2016	110,493
	2017	10,271
	2018	32,989
	2019	62,740
	Thereafter	129,793
	Total contractual repayments	**$ 368,764**
	Equity investments	33,316
	Adjustments to cost basis on debt investments	(1,027)
	Total Cost Basis of Investments Held at June 30, 2015:	**$ 401,053**

Financing Activities

Net cash provided by financing activities for the nine months ended June 30, 2015, of $53.8 million consisted primarily of net proceeds from borrowings on our Credit Facility of $67.9 million, partially offset by $13.3 million of distributions to common stockholders. Net cash used in financing activities for the nine months ended June 30, 2014 of $5.3 million consisted primarily of net repayments on borrowings on our Credit Facility of $11.8 million and distributions to common stockholders of $13.2 million. These net uses were partially offset by the proceeds from the issuance of our Series 2021 Term Preferred Stock, net of the voluntary redemption of the then existing Series 2016 Term Preferred Stock.

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Distributions to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate-level federal income tax on the income that we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, the covenants in our Credit Facility generally restrict the amount of distributions to stockholders that we can pay out to be no greater than our net investment income in each fiscal year. In accordance with these requirements, we declared and paid monthly cash distributions of $0.07 per common share for each of the nine months from October 2014 through June 2015, which totaled an aggregate of $13.3 million. In July 2015, our Board of Directors declared a monthly distribution of $0.07 per common share for each of July, August and September 2015. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2015.

For the fiscal year ended September 30, 2014, which includes the nine months ended June 30, 2014, our aggregate distributions to common stockholders totaled approximately $17.7 million, which were declared based on estimates of our investment company taxable income for that fiscal year. For our fiscal year ended September 30, 2014, our common stockholder distributions declared and paid exceeded our current and accumulated earnings and profits (after taking into account our preferred stock dividends), resulted in a partial return of capital of approximately $15.2 million. The return of capital was primarily due to accounting principles generally accepted in the U.S. (GAAP) realized losses being recognized as ordinary losses for federal income tax purposes. The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2015 will be determined at fiscal year-end based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization. If we characterized our common stockholder distributions for the nine months ended June 30, 2015, 100.0% would be a return of capital, primarily due to GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

Preferred Stock Distributions

Our Board of Directors also declared, and we paid, monthly cash distributions of $0.140625 per share of our Series 2021 Term Preferred Stock for each of the nine months from October 2014 through June 2015, which totaled an aggregate of $2.1 million. In July 2015, our Board of directors declared a monthly distribution of $0.140625 per share of Series 2021 Term Preferred stock for each of July, August and September 2015. In accordance with GAAP, we treat these monthly distributions to preferred stockholders as an expense. For federal income tax purposes, distributions paid by us to preferred stockholders generally constitute ordinary income to the extent our current and accumulated earnings and profits have been characterized as ordinary income to our preferred stockholders.

Equity

Registration Statement

We filed Post-effective Amendment No. 4 to our universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-185191) with the SEC on December 1, 2014, and subsequently filed Post-effective Amendment No. 5 to our Registration Statement on January 29, 2015, which the SEC declared effective January 30, 2015. Our Registration Statement registers an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. As of June 30, 2015, we have the ability to issue up to $237.8 million in securities under our Registration Statement through one or more transactions. We sold approximately 2.4 million shares, or $61.0 million in gross proceeds, of our Series 2021 Term Preferred Stock under our Registration Statement in May 2014. In addition, we sold an aggregate of 131,462 shares, or $1.2 million in gross proceeds, of our common stock under the Sales Agreements (discussed in more detail below) during the nine months ended June 30, 2015. To date, no other securities have been sold under our Registration Statement.

Common Stock

We anticipate selling equity securities to obtain additional capital in the future. However, we cannot determine the terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. Additionally, when our common stock is trading below NAV per share, as it has from time to time over the last four years, the 1940 Act restricts our ability to obtain additional capital by issuing common stock. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our then current NAV per common share, other than to our then existing common stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors. As of July 28, 2015, our closing market price was $7.74 per common share, a 18.4% discount to our June 30, 2015 NAV per common share of $9.49. To the extent that our common stock trades at a market price below our NAV per common share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder approval or a rights offering to existing common stockholders.

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

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

Term Preferred Stock

Pursuant to our Registration Statement, in May 2014, we completed a public offering of approximately 2.4 million shares of our Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share and a 6.75% rate. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing Series 2016 Term Preferred Stock and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. In connection with the voluntary redemption of our Series 2016 Term Preferred Stock, we recognized a realized loss on extinguishment of debt of $1.3 million, which was reflected on our statement of operations during the three months ended June 30, 2014 and was primarily comprised of the unamortized deferred issuance costs at the time of redemption.

We incurred $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and are being amortized over the redemption period ending June 30, 2021. The shares of our Series 2021 Term Preferred Stock are traded under the ticker symbol of GLADO on the NASDAQ. Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). Additionally, we may be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series 2021 Term Preferred Stock and (2) if we fail to maintain an asset coverage ratio of at least 200.0% and do not take steps to cure such asset coverage amount within a specified period of time. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price to have an asset coverage ratio of up to and including 240.0% and at any time on or after June 30, 2017. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the annual fixed dividend rate will increase by 4.0% for so long as such failure continues. As of June 30, 2015, we have not redeemed any of our outstanding Series 2021 Term Preferred Stock. Our Series 2021 Term Preferred Stock has been recorded as a liability in accordance with GAAP and, as such, affects our asset coverage, exposing us to additional leverage risks.

Pursuant to our prior registration statement, in November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock at a public offering price of $25.00 per share and a 7.125%

rate. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. In May 2014 when our Series 2016 Term Preferred Stock was voluntarily redeemed, the remaining unamortized costs at that time were fully written off as part of the realized loss on extinguishment of debt discussed above. Our Series 2016 Term Preferred Stock provided for a fixed dividend rate equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year).

Revolving Credit Facility

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

Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank as custodian and with The Bank of New York Mellon Trust Company, N.A as custodian. KeyBank, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consents. Our Credit Facility also generally limits payments on distributions to our stockholders to the aggregate net investment income and capital gains for each of the twelve month periods ending September 30, 2015, 2016, 2017 and 2018. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 25 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $205.0 million plus 50.0% of all equity and subordinated debt raised after May 1, 2015, which equates to $205.0 million as of June 30, 2015, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of June 30, 2015, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $259.4 million, asset coverage of 221.0% and an active status as a BDC and RIC. In addition, we had 33 obligors in our Credit Facility s borrowing base as of June 30, 2015. As of June 30, 2015 we were in compliance with all of our Credit Facility covenants.

Pursuant to the terms of our Credit Facility, on July 15, 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our Credit Facility. The one month LIBOR cap is set at 5.0%. We incurred a premium fee of $62 in conjunction with this agreement, which is recorded in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities.* As of June 30, 2015 and September 30, 2014, the fair value of our interest rate cap agreement was $0.

Contractual Obligations and Off-Balance Sheet Arrangements

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. As of June 30, 2015 and September 30, 2014, our unused line of credit commitments totaled $13.6 million and $5.9 million, respectively.

When investing in certain private equity funds, we may have uncalled capital commitments depending on the agreed upon terms of our committed ownership interest. These capital commitments usually have a specific date in the future set as a closing date, at which time the commitment is either funded or terminates. As of June 30, 2015 and September 30, 2014, we had uncalled capital commitments related to our partnership interest in Leeds Novamark Capital I, L.P. of $2.4 million and $2.8 million, respectively.

The following table summarizes our contractual obligations as of June 30, 2015, at cost:

	Payments Due by Fiscal Years				
Contractual Obligations[A]	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Credit Facility[B]	$	$	$ 104,600	$	$ 104,600
Series 2021 term preferred stock				61,000	61,000
Interest expense on debt obligations[C]	2,027	24,324	9,454	3,088	38,893
Total	**$ 2,027**	**$ 24,324**	**$ 114,054**	**$ 64,088**	**$ 204,493**

(A) Excludes our unused line of credit and uncalled capital commitments to our portfolio companies in an aggregate amount of $13.6 million as of June 30, 2015.

(B) Principal balance of borrowings under our Credit Facility as of June 30, 2015, based on the current revolving period end date of January 19, 2019.

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

Of our interest bearing debt investments as of June 30, 2015, 28.7% had a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally recognize success fees as income only when the payment has been received. As a result, as of June 30, 2015 and September 30, 2014, we had aggregate unrecognized success fee receivables on our accruing debt investments of $9.1 million and $11.0 million (or approximately $0.43 and $0.52 per common share), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

CRITICAL ACCOUNTING POLICIES

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

Credit Monitoring and Risk Rating

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

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

The following table reflects risk ratings for all proprietary loans in our portfolio as of June 30, 2015 and September 30, 2014, representing approximately 82.0% and 80.8%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of June 30, 2015**	**As of September 30, 2014**
Highest	**8.0**	9.0
Average	**5.5**	5.9
Weighted Average	**5.5**	5.2
Lowest	**4.0**	2.0

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The following table reflects corporate-level risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO as of June 30, 2015 and September 30, 2014, representing approximately 12.9% and 16.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of June 30, 2015**	**As of September 30, 2014**
Highest	**6.0**	6.0
Average	**4.8**	4.6
Weighted Average	**5.0**	4.8
Lowest	**3.0**	3.5

The following table lists the risk ratings for all syndicated loans in our portfolio that were not rated by an NRSRO. As of June 30, 2015 and September 30, 2014, these loans represented 5.1% and 2.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of June 30, 2015**	**As of September 30, 2014**
Highest	**6.0**	4.0
Average	**4.8**	4.0
Weighted Average	**4.6**	4.0
Lowest	**3.0**	4.0

Tax Status

Federal Income Taxes

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains that we distribute to our stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements. In addition, to qualify to be taxed as a RIC, we must also meet certain annual stockholder distribution requirements. To satisfy the RIC annual distribution requirement, we must distribute to stockholders at least 90.0% of our investment company taxable income, as defined by the Code. Our policy generally is to make distributions to our stockholders in an amount up to 100.0% of our investment company taxable income.

In an effort to limit certain federal excise taxes imposed on RICs, we currently intend to distribute to our stockholders, during each calendar year, an amount at least equal to the sum of: (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income for the one-year period ending on October 31 of the calendar year, and (3) any ordinary income and capital gain net income from preceding years that were not distributed during such years. Under the RIC Modernization Act (the RIC Act), we are permitted to carry forward capital losses incurred in taxable years beginning after September 30, 2011 (the date of enactment), for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under the previous regulation.

Revenue Recognition

Interest Income Recognition

Interest income, adjusted for amortization of premiums, acquisition costs, and amendment fees and the accretion of original issue discounts (OID), is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when a loan s status significantly improves regarding the debtor s ability and intent to pay contractual amounts due, or past due principal and interest are paid and, in management s judgment, are likely to remain current, or, due to a restructuring, the interest income is deemed to be collectible. As of June 30, 2015, four portfolio companies were either fully or partially on non-accrual status with an aggregate debt cost basis of approximately $49.2 million, or 13.4% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $10.7 million, or 3.5% of the fair value of all debt investments in our portfolio. As of September 30, 2014, three portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $13.2 million, or 5.2% of the fair value of all debt investments in our portfolio.

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We currently hold, and we expect to hold in the future, some loans in our portfolio that contain OID or paid-in-kind (PIK) provisions. We recognize OID for loans originally issued at discounts and recognize the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Therefore, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain our ability to be taxed as a RIC, we may need to pay out both of our OID and PIK non-cash income amounts in the form of distributions, even though we have not yet collected the cash on either.

As of June 30, 2015 and September 30, 2014, we had 17 original OID loans, respectively, primarily from the syndicated investments in our portfolio. We recorded OID income of $0.1 and $0.2 million for the three and nine months ended June 30, 2015, respectively, as compared to $59 and $0.2 million for the three and nine months ended June 30, 2014, respectively. The unamortized balance of OID investments as of June 30, 2015 and September 30, 2014, totaled $0.8 million and $0.6 million, respectively. As of June 30, 2015 and September 30, 2014, we had four and three investments, respectively, with a PIK interest component. We recorded PIK income of $0.3 and $0.5 million for the three and nine months ended June 30, 2015, respectively, as compared to $80 and $0.3 million for the three and nine months ended June 30, 2014, respectively. We collected $0 PIK interest in cash during the nine months ended June 30, 2015 and 2014, respectively.

Other Income Recognition

We generally record success fees upon our receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We recorded an aggregate of $1.7 million in success fees during the nine months ended June 30, 2015, which resulted from $0.6 million related to the early payoff of NAAS at a realized gain, $0.3 million prepayment of success fees by FDF, $0.5 million prepayment of success fees by Defiance, $0.1 million prepayment of success fees by SPL and $0.2 million of success fees related to our sale of substantially all of the assets in Lindmark and the ensuing pay down of our debt investments in Lindmark at par in September 2013. We recorded an aggregate of $1.6 million in success fees during the nine months ended June 30, 2014, which resulted from $0.5 million related to the early payoff of Thibaut at par, $0.5 million prepayment by FDF and $0.6 million received as a result of our sale of substantially all of the assets in Lindmark in September 2013.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. During the nine months ended June 30, 2015, we recorded an aggregate of $0.6 million of dividend income, which resulted from $0.1 million from our preferred equity investment in FDF, $0.2 from our preferred equity investment in Funko and $0.3 million from our preferred equity investment in SPL. During the nine months ended June 30, 2014, we recorded an aggregate of $1.0 million of dividend income, net of estimated income taxes payable, which resulted from $0.2 million on our preferred equity investment in FDF, $0.7 million on our investment in FedCap and $0.1 million on our preferred equity investment in Funko.

Success fees and dividend income are both recorded in other income in our accompanying *Condensed Consolidated Statements of Operations.*

Recent Accounting Pronouncements

See Note 2 *Summary of Significant Accounting Policies* in the accompanying notes to our *Condensed Consolidated Financial Statements* included elsewhere in this report for a description of recent accounting pronouncements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

We target to have approximately 10.0% of the loans in our portfolio at fixed rates, with approximately 90.0% made at variable rates or variable rates with a floor. All of our variable-rate debt investments have rates generally associated with the 30-day LIBOR.

As of June 30, 2015, our portfolio of debt investments on a principal basis consisted of the following:

Variable rates	84.4%
Fixed rates	15.6
Total:	100.0%

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

There have been no material changes in the quantitative and qualitative market risk disclosures for the nine months ended June 30, 2015 from that disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, as filed with the SEC on November 12, 2014, and subsequently amended on December 29, 2014.

ITEM 4. CONTROLS AND PROCEDURES.

a) Evaluation of Disclosure Controls and Procedures

As of June 30, 2015 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial

Officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level in timely alerting management, including the Chief Executive Officer and Chief Financial Officer, of material information about us required to be included in periodic SEC filings. However, in evaluation of the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Changes in Internal Control over Financial Reporting

There were no changes in internal controls for the nine months ended June 30, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Neither we, nor any of our subsidiaries are currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding threatened against us or any of our subsidiaries.

ITEM 1A. RISK FACTORS.

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. For a discussion of these risks, please refer to this section and the section captioned Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, as filed with the SEC on November 12, 2014, and subsequently amended on December 29, 2014 and Item 1A. Risk Factors in Part II of our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014, as filed with the SEC on February 2, 2015. The risks described below and in our Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities

Not applicable.

Issuer Purchases of Equity Securities

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

See the exhibit index.

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SIGNATURES

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

GLADSTONE CAPITAL CORPORATION

By: /s/ *Melissa Morrison*
Melissa Morrison
Chief Financial Officer and Treasurer

(principal financial and accounting officer)

Date: July 29, 2015

EXHIBIT INDEX

Exhibit	Description
3.1	Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.2	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.
3.3	Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, including Exhibit A thereto, incorporated by reference to Exhibit 3.3 to Form 8-A (File No. 001-35332), filed May 15, 2014.
3.4	Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, incorporated by reference to Exhibit 3.4 to our Quarterly Report on Form 10-Q (File No.814-000000), filed July 30, 2014.
3.5	By-laws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
3.6	Amendment to By-laws, incorporated by reference to Exhibit 3.3 to our Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.
3.7	Second Amendment to By-laws, incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
3.8	Third Amendment to By-laws, incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
4.1	Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
4.2	Form of Certificate for 6.75% Series 2021 Term Preferred Stock, incorporated by reference to Exhibit 4.3 to Form 8-A (File No. 001-35332), filed May 15, 2014.
10.1	Fifth Amended and Restated Credit Agreement dated as of May 1, 2015 by and among Gladstone Business Loan, LLC as Borrower, Gladstone Management Corporation as Servicer, KeyBank National Association, as Administrative Agent and the financial institutions from the time to time party thereto, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 814-00237), filed May 5, 2015.
10.2	Joinder Agreement, dated as of June 19, 2015, by and among the Gladstone Business Loan, LLC, Gladstone Management Corporation, KeyBank National Association and Santander Bank N.A., incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
10.3	Assignment, Acceptance and Joinder Agreement, dated as of June 19, 2015, by and among the Gladstone Business Loan, LLC, Gladstone Management Corporation, KeyBank National Association

	and Alostar Bank of Commerce, incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
10.4	Assignment and Acceptance Agreement, dated as of June 19, 2015, by and among Gladstone Business Loan, LLC, Gladstone Management Corporation, KeyBank National Association and Newbridge Bank, incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K (File No. 814-00237), filed June 23, 2015.
11	Computation of Per Share Earnings (included in the notes to the unaudited condensed consolidated financial statements contained in this report).
31.1	Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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32.1 Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

32.2 Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

All other exhibits for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and therefore have been omitted.

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Filed Pursuant to Rule 497

Registration Statement No. 333-185191

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 30, 2015)

Up to $50,000,000

Common Stock

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

We have entered into separate equity distribution agreements, each dated February 27, 2015, each a Sales Agreement and collectively the Sales Agreements, with KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., each a Sales Agent and collectively the Sales Agents, relating to the shares of our common stock, par value $0.001 per share, offered pursuant to this prospectus supplement and the accompanying prospectus. The Sales Agreements provide that we may offer and sell up to an aggregate offering price of $50,000,000 of our common stock from time to time through the Sales Agents. As of the date of this prospectus supplement, we have not sold any shares of our common stock under the Sales Agreements.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers transactions on the NASDAQ Global Select Market, or NASDAQ, or that otherwise qualify for delivery of a prospectus to the NASDAQ in accordance with Rule 153 under the Securities Act of 1933, as amended, or the Securities Act, at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with each Sales Agent. Our common stock is traded on the NASDAQ Global Select Market under the symbol GLAD. On February 26, 2015 the last reported sale price of our common stock on the NASDAQ Global Select Market was $8.65 per share. The net asset value of our common stock on December 31, 2014 (the last date of this prospectus supplement on which we determined net asset value) was $9.31. You are urged to obtain current market quotations of our common stock.

The Sales Agents will receive from us a commission of up to 2.0% of the gross proceeds of any shares sold through the Sales Agreements pursuant to this prospectus supplement. The Sales Agents are not required to sell any specific number or dollar amount of common stock, but each will use its commercially reasonable efforts consistent with its sales and trading practices to sell the shares of our common stock offered by this prospectus supplement and the accompanying prospectus. See Plan of Distribution beginning on page S-41 of this prospectus supplement

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering. In this regard, on February 12, 2015, our stockholders voted to allow us to issue common stock at a price below net asset value per share for the period ending on the one year anniversary of the date of our 2015 Annual Meeting of Stockholders. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below net asset value unless our board of directors determines that it would be in our and our stockholders best interests to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. In addition, continuous sales of common stock below net asset value may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. See Risk Factors and Sale of Common Stock Below Net Asset Value in this prospectus supplement and Sales of Common Stock Below Net Asset Value in the accompanying prospectus.

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

Investing in shares of our common stock involves a high degree of risk. Before investing, you should read the material risks described in the Risk Factors section beginning on page S-8 of this prospectus supplement, and the Risk Factors sections on page 9 of the accompanying prospectus.

The Securities and Exchange Commission, or SEC has not approved or disapproved these securities or passed upon the adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

KeyBanc Capital Markets **Cantor Fitzgerald & Co.**

The date of this prospectus supplement is February 27, 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

This prospectus supplement is part of a registration statement on Form N-2 (Registration No. 333-185191) that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules thereto in accordance with the rules and regulations of the SEC, and we refer you to such omitted information. It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference into this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information in this prospectus supplement.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

adverse changes in the economy and the capital markets;

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

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

changes in our business strategy;

availability, terms and deployment of capital;

- changes in our industry, interest rates, exchange rates or the general economy;
- our business prospects and the prospects of our portfolio companies;
- the degree and nature of our competition;
- our ability to maintain our qualification as a RIC and as a BDC; and
- those factors described in the Risk Factors section of this prospectus supplement and the accompanying prospectus.

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

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PROSPECTUS SUPPLEMENT SUMMARY

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

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

Gladstone Capital Corporation

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

As of December 31, 2014, our portfolio consisted of loans to 49 companies in 21 states in 19 different industries with a fair value of $326.6 million, consisting of senior term debt, senior subordinated term debt, preferred equity and common equity.

As of December 31, 2014, we had outstanding 21,000,160 shares of common stock, par value $0.001 per share, or common stock, and 2,440,000 shares of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share, or our Series 2021 Term Preferred Shares (also referred to as our Series 2021 Term Preferred Stock), respectively. Since our initial public offering of common stock in 2001, we have made 145 consecutive distributions on our common stock (including 8 quarterly distributions and 137 monthly distributions). Since our public offering of shares of Series 2021 Term Preferred Stock in May 2014, we have made 9 consecutive distributions on our Series 2021 Term Preferred Shares. Our monthly common stock distributions for the month of January 2015, paid in February, were per share were $0.07 and our monthly distributions for the Series 2021 Term Preferred Shares were $0.140625.

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

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

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States, or the U.S. . Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We aim to maintain a portfolio allocation of approximately 95.0% debt investments and 5.0% equity investments, at cost.

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

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

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

Senior Subordinated Debt Securities: We seek to invest a portion of our assets in senior subordinated debt securities, also known as senior subordinated loans and senior subordinated notes. These senior subordinated debts also include second lien notes and may include participation and investment in syndicated second lien loans. Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior subordinated debt securities.

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

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

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

Our Investment Adviser and Administrator

Gladstone Management Corporation, or Adviser , is our affiliated investment adviser and a privately-held company led by a management team that has extensive experience in our lines of business. Another of our and the Adviser s affiliates, a privately-held company, Gladstone Administration, LLC, or the Administrator , employs, among others, our chief financial officer, treasurer, chief compliance officer, internal legal counsel and secretary and their respective staffs. Excluding our chief financial officer and treasurer, all of our executive officers serve as directors or executive officers, or both, of the following of our affiliates: Gladstone Commercial Corporation, or Gladstone

Commercial , a publicly traded real estate investment trust; Gladstone Investment Corporation, or Gladstone Investment , a publicly traded BDC and RIC; Gladstone Land Corporation, or Gladstone Land , a publicly traded real estate company that invests in farmland and farm related property; the Adviser; and the Administrator. Our chief financial officer is also the chief accounting officer of the Adviser and the Administrator and the chief financial officer and treasurer of Gladstone Investment. David Gladstone, our chairman and chief executive officer, also serves on the board of managers of our affiliate, Gladstone Securities, LLC, or Gladstone Securities, a privately-held broker-dealer registered with the Financial Industry Regulatory Authority, or FINRA , and insured by the Securities Investor Protection Corporation.

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

We have been externally managed by the Adviser pursuant to an investment advisory and management agreement since October 1, 2004. The investment advisory and management agreement originally included administrative services; however, it was amended and restated on October 1, 2006 and at that time we entered into an administration agreement with the Administrator to provide such services. The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Recent Developments

Investments

The following significant investments occurred subsequent to December 31, 2014:

- *Precision Metal Hose, Inc.* In February 2015, we invested $25.3 million in Precision Metal Hose, Inc., or Precision Hose, through a combination of senior term debt and equity. Precision Hose, headquartered in Romeoville, Illinois, is a global leader in the design, development, manufacture and support of performance critical flexible engineered solutions for the transfer of fluids and gases in extreme environments.

- *Lignetics, Inc.* In February 2015, we invested $6.6 million in a follow-on investment in Lignetics, Inc., an existing portfolio company, through a combination of subordinated term debt and equity.

Annual Meeting of Stockholders

At our 2015 Annual Meeting of Stockholders, held on February 12, 2015, our stockholders approved a proposal authorizing us to sell shares of our common stock at a price below our then current net asset value, or NAV per share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale. The Stockholders also elected Caren D. Merrick, Walter H. Wilkinson Jr. and Terry L. Brubaker as directors to hold office for a three-year term expiring at the 2018 Annual Meeting of Stockholders.

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Distributions

On January 13, 2015, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2021 Term Preferred Share
January 23, 2015	February 3, 2015	$ 0.07	$ 0.140625
February 18, 2015	February 27, 2015	0.07	0.140625
March 20, 2015	March 31, 2015	0.07	0.140625
	Total for the Quarter	**$ 0.21**	**$ 0.421875**

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THE OFFERING

Common stock offered	Shares with an aggregate offering price of up to $50,000,000.
Common stock outstanding prior to this offering	21,000,160 shares of common stock.
Manner of offering	At-the-market offerings made from time to time through KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co. See Plan of Distribution beginning on page S-41 of this prospectus supplement.
Use of Proceeds	To repay outstanding indebtedness under our $137.0 million revolving line of credit, or Credit Facility , to fund new investment opportunities, and for other general corporate purposes. See Use of Proceeds on page S-10 below.
NASDAQ Global Select Market symbol	GLAD
Distributions on common stock	Our distributions, if any, are authorized and paid at the discretion of our Board of Directors and are based upon the circumstances at the time of declaration. We currently intend to make distributions to stockholders on a monthly basis (declared quarterly) at the rate of $0.07 per share of common stock. Because our distributions to common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may also include, and past distributions have included, a return of capital. See Risk Factors Distributions to our stockholders have included and may in the future include a return of capital in the accompanying prospectus.
Tax Matters	See Material U.S. Federal Income Tax Considerations beginning on page 112 of the accompanying prospectus for a discussion of material U.S. federal income tax considerations applicable to an investment in shares of our common stock.
Risk Factors	Investing in shares of our common stock involves substantial risks. Please carefully read and consider the information described under Risk Factors on page S-8 of this prospectus supplement, and on page 9 of the accompanying prospectus before making an investment decision.

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RISK FACTORS

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

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

The number of shares of our common stock available for future issuance or sale could adversely affect the per share trading price of our common stock.

We cannot predict whether future issuances or sales of our common stock or the availability of shares for resale in the open market will decrease the per share trading price of our common stock. The issuance of substantial numbers of shares of our common stock in the public market or the perception that such issuances might occur, the issuance of our common stock in connection with funding future portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the per share trading price of our common stock. In addition, future issuances of our common stock may be dilutive to existing stockholders.

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

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

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

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

Our ability to pay distributions is limited by the requirements of Maryland law.

Our ability to pay distributions on our common stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business or the corporation s total assets would be less than the sum of its total liabilities plus, unless the corporation s charter permits otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our common stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences upon dissolution senior to those of our common stock.

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Our most recent NAV was calculated on December 31, 2014 and our NAV when calculated effective March 31, 2015 may be higher or lower.

Our most recently estimated NAV per common share is $9.31 as determined by us as of December 31, 2014. NAV per share as of March 31, 2015, and following quarters, may be higher or lower than $9.31 based on potential changes in valuations, issuances of securities, distributions paid and earnings for the quarter then ended. Our management has not yet determined, and recommended to our Board of Directors for approval, the fair value of our portfolio investments at any date subsequent to December 31, 2014. On a quarterly basis, our Board of Directors reviews and approves, in good faith, the fair value of our portfolio investments pursuant to our established investment valuation policy, based on recommendations provided by professionals of our Adviser and Administrator with oversight and direction from our valuation officer.

If we sell shares of our common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

At our 2015 Annual Meeting of Stockholders held on February 12, 2015, our stockholders approved our ability, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, to sell shares of our common stock at any level of discount from net asset value per share for a period of 12 months. It should be noted that, theoretically, we may offer up to 25% of our then outstanding common stock each day. The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares of common stock if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. We have not sold shares of our common stock at prices below net asset value per share in the past but may do so in this offering. For additional information about possible sales below NAV per share, see Sales of Common Stock Below Net Asset Value in this prospectus supplement and for additional information and hypothetical examples of these risks, see Sales of Common Stock Below Net Asset Value in this prospectus supplement and in the accompanying prospectus.

The market price of our common stock may fluctuate significantly.

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

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies;

- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to BDCs or RICs;

loss of our qualification as a RIC or BDC;

changes in earnings or variations in operating results;

changes in the value of our portfolio of investments;

changes in accounting guidelines governing valuation of our investments;

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

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

operating performance of companies comparable to us;

general economic trends and other external factors; and

loss of a major funding source.

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

USE OF PROCEEDS

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers transactions on the NASDAQ or that otherwise qualify for delivery of a prospectus to the NASDAQ in accordance with Rule 153 under the Securities Act, at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with each Sales Agent. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. However, if we sell shares of our common stock with the maximum aggregate offering price of $50,000,000, we anticipate that our net proceeds from this offering will be approximately $48,750,000 after deducting the estimated sales commission payable to the Sales Agents and our estimated offering expenses of 250,000.

We intend to use the net proceeds from this offering to repay a portion of the amount outstanding under our Credit Facility, to fund new investment opportunities, and for other general corporate purposes. As of February 27, 2015, we had $114.1 million outstanding under our Credit Facility. The Credit Facility has a revolving period end date of January 19, 2016. The interest rates on advances under our Credit Facility generally bear interest at a 30-day LIBOR plus 3.75% per annum, with a commitment fee of 0.5% per annum on undrawn amounts when our facility is drawn more than 50% and 1.0% per annum on undrawn amounts when our facility is drawn less than 50%. If our Credit Facility is not renewed or extended by January 19, 2016, all principal and interest will be due and payable on or before November 30, 2016. An affiliate of KeyBanc Capital Markets Inc. is administrative agent and a lender under our Credit Facility and may receive a portion of the net proceeds from this offering.

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

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We intend to seek to invest the net proceeds received in this offering as promptly as practicable after receipt thereof consistent with our investment objectives. We anticipate that the remainder will be used for working capital and other general corporate purposes, including potential payments or distributions to shareholders. Pending such use, we will invest a portion of the net proceeds of this offering in short-term investments, such as cash and cash equivalents, which we expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in accordance with our investment objectives.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by us or Gladstone Capital, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Capital.

Stockholder Transaction Expenses:	
Sales load or other commission (as a percentage of offering price)[(1)]	2.00%
Offering expenses (as a percentage of offering price)[(2)]	0.50%
Dividend reinvestment plan expenses[(3)]	None
Total stockholder transaction expenses (as a percentage of offering price)	2.50%
Annual expenses (as a percentage of net assets attributable to common stock) [(4)]**:**	
Management fees[(5)]	5.75%
Loan Servicing fees[(6)]	1.68%
Incentive fees (20% of realized capital gains and 20% of pre-incentive fee net investment income)[(7)]	1.87%
Interest payments on borrowed funds[(8)]	1.81%
Dividend expense on mandatorily redeemable preferred stock[(9)]	2.26%
Other expenses[(10)]	1.86%
Total annual expenses[(10)]	15.23%

(1) Represents the estimated commission with respect to the shares of common stock being sold in this offering. The Sales Agents will be entitled to a maximum compensation up to 2.0% of the gross proceeds of the sale of any shares of our common stock under the Sales Agreements, with the exact amount of such compensation to be mutually agreed upon by the Company and the Sales Agents from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $250,000 and assumes we sell $50,000,000 of common stock under the Sales Agreements.

(3) The expenses of the reinvestment plan, if any, are included in stock record expenses, a component of other expenses.

(4) The numbers presented in this table do not account for any credits or waivers for these fees. There can be no guarantee that the Adviser will waive or credit any portion of such fees in the future.

(5) Our annual base management fee is 2.0% (0.5% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings and are estimated by assuming the base management fee remains consistent with fees incurred for the three months ended December 31, 2014. Under the investment advisory and management agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii)

negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. At the end of each quarter, 100.0% of these fees are voluntarily and irrevocably credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended December 31, 2014, $0.4 million, or 7.5% of total net annual expenses, of these fees were voluntarily and irrevocably credited against the base management fee.

For the three months ended December 31, 2014, the Adviser voluntarily and irrevocably agreed to credit the annual base management fee of 2.0% to 0.5% for those senior syndicated loan participations to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations. For the three months ended December 31, 2014, $36,408, or 0.7% of total net annual expenses, of these fees were voluntarily and irrevocably credited against the base management fee. See Management- Certain Transactions Investment Advisory and Management Agreement in the accompanying prospectus.

(6) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC (Business Loan), in return for which the Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our Credit Facility. The Loan Servicing Fee is estimated by assuming the Loan Servicing Fee remains consistent with the fees incurred for the three months ended December 31, 2014. For the three months ended December 31, 2014, the total gross loan servicing fees were $0.8 million. The entire loan servicing fee paid to the Adviser by Business Loan is voluntarily credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 2.0% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. After all voluntary and irrevocable credits described in this footnote and footnote 5 above that are applied against the base management fee, the total annual expenses after fee waivers would be 10.20% for the quarter ended December 31, 2014. See Management Certain Transactions Investment Advisory and Management Agreement in the accompanying prospectus and footnote 7 below.

(7) The incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets, subject to a catch-up provision measured as of the end of each calendar quarter. The catch-up provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 2.0% base management fee (see footnote 5 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based

incentive fee from our inception through December 31, 2014.

From time to time, the Adviser has voluntarily and irrevocably agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period.

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

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

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

= 100.0% × (2.00% - 1.75%)

= 0.25%

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

= (100.0% × (catch-up : 2.1875% - 1.75%)) + (20.0% × (2.30% - 2.1875%))

= (100.0% × 0.4375%) + (20.0% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

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

= 20.0% × (6.0% - 1.0%)

= 20.0% × 5.0%

= 1.0%

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

(8) Includes deferred financing costs. On April 26, 2013, we extended the maturity date of our credit facility to January 19, 2016, under which our borrowing capacity is $137.0 million. In addition, on January 29, 2013, we removed the LIBOR minimum of 1.50% on advances under our credit facility. We have drawn down on our Credit Facility and we expect to borrow additional funds in the future up to an amount so that our asset coverage, as defined in the 1940 Act, is at least 200.0% after each issuance of our senior securities. Assuming that we borrowed $137.0 million at an interest rate of 4.00% plus an additional fee related to borrowings of 0.63%, for an aggregate rate of 4.63%, interest payments and amortization of deferred financing costs on borrowed funds would have been 3.21% of our average net assets for the quarter ended December 31, 2014.

(9) In May 2014, we completed a public offering of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share. In the offering, we issued approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock. Dividend expense includes the amounts paid to preferred stockholders during the three months ended September 30, 2014. Also included in this line item is the amortization of the offering costs related to our term preferred stock offering. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Equity Series 2021 Term Preferred Stock in the accompanying prospectus for additional information.

(10) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See Management Certain Transactions Administration Agreement in the accompanying prospectus.

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our securities. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above.

	1 Year	**3 Years**	**5 Years**	**10 Years**
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ 183	$ 479	$ 702	$ 1,046
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 191	$ 497	$ 722	$ 1,059

(1) While the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. Additionally, we have assumed that the entire amount of such 5.0% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) on our investments. Because the assumed 5.0% annual return is significantly below the hurdle rate of 7.0% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5.0% annual return on our investments.

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

(3) While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. For purposes of this example, we have assumed that the entire amount of such 5% annual return would constitute capital gains.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

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

Our common stock is quoted on the NASDAQ under the symbol GLAD. Our common stock has historically traded at prices both above and below its NAV. There can be no assurance that any premium to NAV will be attained or maintained. As of February 26, 2015 there were 41 stockholders of record, meaning individuals or entities that we carry in our records as the registered holder (although not necessarily the beneficial owner) of our common stock.

The following table sets forth the range of high and low intraday sale prices of our common stock as reported on the NASDAQ and the distributions declared by us for the last two completed fiscal years and the current fiscal year through February 26, 2015.

COMMON SHARE PRICE DATA

	NAV(1)	High	Low	Distribution Declared	(Discount) or Premium of High Sales Price to NAV(2)	(Discount) or Premium of Low Sales Price to NAV(2)
Fiscal Year ending September 30, 2013(3)						
First Quarter	$ 9.17	$ 9.02	$ 7.25	$ 0.21	(1.6)%	(20.9)%
Second Quarter	8.91	9.46	8.24	0.21	6.2	(7.5)
Third Quarter	8.60	9.45	7.76	0.21	9.9	(9.8)
Fourth Quarter	9.81	8.92	8.05	0.21	(9.1)	(17.9)
Fiscal Year ending September 30, 2014(4)						
First Quarter	10.10	9.92	8.60	0.21	(1.8)	(14.9)
Second Quarter	9.79	10.37	9.27	0.21	5.9	(5.3)
Third Quarter	8.62	10.21	9.41	0.21	18.4	9.2
Fourth Quarter	9.51	10.27	8.06	0.21	8.0	(15.2)

Fiscal Year ending September 30, 2015(5)						
First Quarter	9.31	9.41	8.02	0.21	1.1	(13.9)
Second Quarter (through February 26, 2015)	*	8.75	7.25	0.21	*	*

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low intraday sale prices. The NAV per shares shown are based on outstanding shares at the end of each period.
(2) The (discounts) premiums to NAV per share set forth in these columns represent the high or low, as applicable, intraday sale price per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the (discount) premium to NAV per share on the date of the high and low intraday sale prices.
(3) For the fiscal year ended September 30, 2013, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock distributions), which resulted in a partial return of capital of approximately $1.3 million, or approximately $0.06 per share. The return of capital for the year ended September 30, 2013, primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.
(4) For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock distributions), which resulted in a partial return of capital of approximately $15.2 million, or approximately $0.72 per share. The return of capital for the year ended September 30, 2014, primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.
(5) The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2015 will be determined at fiscal year-end based upon taxable income for the full year and distributions paid during the full year.
* Not yet available, as the NAV per share as of the end of this quarter has not yet been determined.

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CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data for the fiscal years ended September 30, 2014, 2013, 2012, 2011 and 2010 are derived from our audited consolidated financial statements. The consolidated selected financial data for the three months ended December 31, 2014 and 2013 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other data included in the second table below is unaudited. The data should be read in conjunction with our accompanying consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement.

GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SELECTED FINANCIAL AND OTHER DATA

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)

	Three Months Ended December 31,		Year Ended September 30,				
	2014	**2013**	**2014**	**2013**	**2012**	**2011**	**2010**
Statement of Operations Data:							
Total Investment Income	**$ 8,726**	$ 8,392	**$ 36,585**	$ 36,154	$ 40,322	$ 35,211	$ 35,539
Total Expenses, Net of Credits from Adviser	**5,035**	3,982	**18,217**	17,768	21,278	16,799	17,780
Net Investment Income	**3,691**	4,410	**18,368**	18,386	19,044	18,412	17,759
Net Realized and Unrealized (Loss) Gain on Investments, Borrowings and Other	**(3,360)**	6,096	**(7,135)**	13,833	(27,052)	(39,511)	(1,365)

Net Increase (Decrease) in Net Assets Resulting from Operations	**$**	**331**	$	10,506	**$**	**11,233**	$	32,219	$	(8,008)	$	(21,099)	$	16,394
Per Share Data:														
Net Investment Income per Common Share Basic and Diluted(A)	**$**	**0.18**	$	0.21	**$**	**0.87**	$	0.88	$	0.91	$	0.88	$	0.84
Net Increase (Decrease) in Net Assets Resulting from Operations per Common Share Basic and Diluted(A)		**0.16**		0.29		**0.53**		1.53		(0.38)		(1.00)		0.78
Cash Distributions Declared Per Common Share		**0.21**		0.21		**0.84**		0.84		0.84		0.84		0.84
Statement of Assets and Liabilities Data:														
Total Assets	**$**	**343,981**	$	301,462	**$**	**301,429**	$	295,091	$	293,402	$	317,624	$	270,518
Net Assets		**195,581**		212,088		**199,660**		205,992		188,564		213,721		249,246
Net Asset Value Per Common Share		**9.31**		10.10		**9.51**		9.81		8.98		10.16		11.85
Common Shares Outstanding		**21,000,160**		21,000,160		**21,000,160**		21,000,160		21,000,160		21,039,242		21,039,242
Weighted Common Shares		**21,000,160**		21,000,160		**21,000,160**		21,000,160		21,011,123		21,039,242		21,060,351

Outstanding Basic and Diluted							
Senior Securities Data:							
Borrowings under Credit Facility, at cost[B]	**$ 83,500**	$ 47,700	**$ 36,700**	$ 46,900	$ 58,800	$ 99,400	$ 16,800
Mandatorily redeemable preferred stock[B]	**61,000**	38,497	**61,000**	38,497	38,497		
Asset coverage ratio [C]	**236%**	346%	**305%**	341%	296%	315%	1,419%
Asset coverage per unit [D]	**$ 2,356**	$ 3,459	**$ 3,054**	$ 3,410	$ 2,963	$ 3,150	$ 14,187

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

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

(C) As a BDC, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200.0% on our Senior Securities. Our mandatorily redeemable preferred stock is a Senior Security that is stock.

(D) Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

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	Three Months Ended December 31, 2014	2013	Year Ended September 30, 2014	2013	2012	2011	2010
Other Unaudited Data:							
Number of Portfolio Companies at Year End	**49**	**52**	**45**	47	50	59	39
Average Size of Portfolio Company Investment at Cost	**$ 7,875**	**$ 6,571**	**$ 7,762**	$ 7,069	$ 7,300	$ 6,488	$ 7,654
Principal Amount of New Investments	**44,099**	**44,111**	**81,731**	80,418	45,050	110,903	23,245
Proceeds from Loan Repayments and Investments Sold	**12,210**	**24,667**	**72,560**	117,048	73,857	50,002	85,634
Weighted Average Yield on Investments[E]	**10.8%**	**11.6%**	**11.5%**	11.6%	11.3%	11.2%	11.0%
Total Return[F]	**(3.45)**	**12.10**	**9.62**	9.90	41.39	(33.77)	37.46

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

(F) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* elsewhere in this Annual Report on Form 10-K.

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

(dollar amounts in thousands, except per share amounts and as otherwise indicated)

All statements contained herein, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with Gladstone Management Corporation and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe, will, provided anticipate, future, could, growth, plan, intend, expect, should, would, if, seek, possible, negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to: (1) the recurrence of adverse events in the economy and the capital markets; (2) risks associated with negotiation and consummation of pending and future transactions; (3) the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or Robert L. Marcotte; (4) changes in our investment objectives and strategy; (5) availability, terms (including the possibility of interest rate volatility) and deployment of capital; (6) changes in our industry, interest rates, exchange rates or the general economy; (7) our business prospects and the prospects of our portfolio companies; (8) the degree and nature of our competition; (9) our ability to maintain our qualification as a RIC and as business development company; and (10) those factors described in this prospectus supplement and the accompanying prospectus. We caution readers not to place undue reliance on any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this report. Except as required by the federal securities laws, we undertake no obligation to publicly update or revise or any forward-looking statements, whether as a result of new information, future events or otherwise.

The following analysis of our financial condition and results of operations should be read in conjunction with our accompanying *Condensed Consolidated Financial Statements* and the notes thereto contained elsewhere in this prospectus supplement and the accompanying prospectus. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition or results of operations for any future periods.

OVERVIEW

General

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

Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment portfolio over time will consist of approximately 95.0% debt investments and 5.0% equity investments, at cost. As of December 31, 2014, our investment portfolio was made up of approximately 92.4% debt investments and 7.6% equity investments, at cost.

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

In July 2012, the SEC granted us an exemptive order that expanded our ability, under certain circumstances, to co-invest with Gladstone Investment Corporation (Gladstone Investment) and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by Gladstone Management Corporation, our external investment adviser (the Adviser) or any combination of the foregoing subject to the conditions in the SEC s order. We believe this ability to co-invest has enhanced and will continue to enhance our ability to further our investment objectives and strategies. Pursuant to this exemptive order, we co-invested with Gladstone Investment in one new proprietary investment during the three months ended December 31, 2014, as discussed under Investment Highlights.

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

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

Business Environment

The strength of the global economy and the U.S. economy in particular, continues to be uncertain, although economic conditions generally appear to be improving, albeit slowly. The impacts from the 2008 recession in general, and the resulting disruptions in the capital markets in particular, have had lingering effects on our liquidity options and have increased our cost of debt and equity capital. Many of our portfolio companies, as well as those small and medium-sized companies that we evaluate for prospective investment, may remain vulnerable to the impacts of the uncertain economy. Concerns linger over the ability of the U.S. Congress to pass additional debt ceiling legislation prior to March 2015, given the budget impasse that resulted in the partial shutdown of the U.S. government in October 2013. Uncertain political, regulatory and economic conditions, including the current volatility of oil and gas demand and prices, could disproportionately impact some of the industries in which we have invested, causing us to be more vulnerable to losses in our portfolio, resulting in an increase in the number of our non-performing assets and a decrease in the fair market value of our portfolio.

We believe several factors impacting commercial banks, including industry consolidation, capital constraints and regulatory changes, have benefited our fund and other lenders like us. There has been, however, increased competitive pressure in the middle market lending marketplace from other BDCs and investment companies, as well as small banks and some private investors, for senior and senior subordinated debt. We have seen an increase in refinancing and recapitalization transactions and there has been increased competitive pressures resulting in reduced investment yields and/or higher leverage and increasingly riskier investments in the middle market segment we focus on. In addition, there has been an increase in new entrants (financial services companies, BDCs and other investment funds) seeking to capitalize on middle market lending opportunities. Many of our competitors have

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lower cost of capital than we do and also may be willing to take on riskier investments than we are. We do not know if general economic conditions will continue to improve or if adverse conditions will recur and we do not know the full extent to which the inability of the U.S. government to address its fiscal condition in the near and long term will affect us. If market instability persists or intensifies, we may experience difficulty in successfully raising and investing capital. In summary, we believe we are in a prolonged economic recovery; however, we do not know the full extent to which the impact of the current economic conditions will affect us or our portfolio companies.

Portfolio Activity

While conditions remain somewhat challenging in the marketplace, we have seen many investment opportunities that are consistent with our investment objectives and strategies and whereby we can achieve attractive risk-adjusted returns. During the three months ended December 31, 2014, we invested an aggregate of $44.1 million in six new proprietary and syndicate investments, resulting in a net expansion in our overall portfolio of four portfolio companies, due to one portfolio company paying off early resulting in a realized gain of $1.6 million and the sale of one of our non-accrual portfolio companies for net proceeds of $6.1 million. We will continue to focus on exiting challenged and non-strategic investments in our portfolio over the next several quarters in an orderly manner.

Capital Raising

Despite the challenges in the economy for the past several years, we met our capital needs through enhancements to our $137.0 million revolving line of credit (our Credit Facility) and by accessing the capital markets in the form of public offerings of preferred stock. For example, in May 2014, we issued approximately 2.4 million shares of our Series 2021 Term Preferred Stock (for gross proceeds of $61.0 million), which we used to redeem our previously issued 7.125% Series 2016 Term Preferred Stock (Series 2016 Term Preferred Stock) issued in November 2011 and also to primarily repay outstanding borrowings on our Credit Facility. Refer to Liquidity and Capital Resources Equity Term Preferred Stock for further discussion of our term preferred stock. In addition, in January 2013, we removed the LIBOR minimum of 1.5% on advances on our Credit Facility and in April 2013, we extended the revolving period end date for an additional year to January 19, 2016. Refer to Liquidity and Capital Resources Revolving Credit Facility for further discussion of our revolving line of credit.

Although we were able to access the capital markets in 2014, we believe uncertain market conditions continue to affect the trading price of our capital stock and thus may challenge our ability to finance new investments through the issuance of equity. The current volatility in the credit market and the uncertainty surrounding the U.S. economy have led to significant stock market fluctuations, particularly with respect to the stock of financial services companies like ours. During times of increased price volatility, our common stock may be more likely to trade at a price below our net asset value (NAV) per share, which is not uncommon for BDCs like us.

On February 26, 2015, the closing market price of our common stock was $8.65, a 7.1% discount to our December 31, 2014, NAV per share of $9.31. When our stock trades below NAV per common share, as it has at times traded over the last several years, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock below NAV per common share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering. At our annual meeting of stockholders held on February 12, 2015, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per common share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our board of directors (our Board of Directors) makes certain determinations prior to any such sale. Although we have not utilized this authorization to date, we may do so in the future.

The current uncertain and volatile economic conditions may also continue to cause the value of the collateral securing some of our loans to fluctuate, as well as the value of our equity investments, which has impacted and may continue to impact our ability to borrow under our Credit Facility. Additionally, our Credit Facility contains covenants regarding the maintenance of certain minimum loan concentrations and net worth, which are affected by the decrease in the aggregate value of our portfolio. Failure to meet these requirements would result in a default which, if we are unable to obtain a waiver from our lenders, would cause an acceleration of our repayment obligations under our Credit Facility. As of December 31, 2014, we were in compliance with all of our Credit Facility s covenants.

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Regulatory Compliance

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

We expect that, given these regulatory and contractual constraints in combination with current market conditions, debt and equity capital may not be sufficient in the near term. However, we believe that our amendments to our Credit Facility to decrease the interest rate on advances and extend its maturity until 2016 (refer to Liquidity and Capital Resources Revolving Credit Facility for further discussion of our revolving line of credit) and our ability to co-invest with Gladstone Investment and certain other affiliated investment funds, has increased our ability to make investments in businesses that we believe will be generally resistant to a recession and, as a result, will be likely to achieve attractive long-term returns for our stockholders.

During the quarter ended December 31, 2014, we continued to focus on building our pipeline with deals that we believe are generally recession resistant and are in businesses with steady cash flows, while providing appropriate returns, given the risks. We will also continue to work through some of the older investments in our portfolio to enhance overall returns to our stockholders.

Investment Highlights

During the three months ended December 31, 2014, we invested an aggregate of $44.1 million in six new portfolio companies and an aggregate of $17.4 million in existing portfolio companies. In addition, during the three months ended December 31, 2014, we sold our investment in one portfolio company for net proceeds of $6.1 million and we received scheduled and unscheduled principal repayments of approximately $4.5 million from existing portfolio companies. Since our initial public offering in August 2001, we have made 385 different loans to, or investments in, 191 companies for a total of approximately $1.4 billion, before giving effect to principal repayments on investments and divestitures.

Investment Activity

During the three months ended December 31, 2014, we executed the following transactions with certain of our portfolio companies:

Issuances and Originations

During the three months ended December 31, 2014, we extended an aggregate of $31.6 million of investments in three new proprietary portfolio companies and an aggregate of $12.5 million in three new syndicated portfolio companies (PSC Industrial Holdings Corp, SourceHOV, LLC and Vertellus Specialties, Inc.). Below are significant issuances and originations during the three months ended December 31, 2014:

In December 2014, we invested $8.4 million in B+T Holdings Inc. (B+T), through a combination of senior term debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural

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engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with Gladstone Investment, which invested an additional $19.6 million under the same terms as us.

In December 2014, we invested $15.0 million in Circuitronics, Inc. (Circuitronics) through a combination of senior term debt and equity. Circuitronics, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.

In December 2014, we invested $11.0 million in Vision Government Solutions, Inc. (Vision) through senior term debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.

Repayments and Sales:

During the three months ended December 31, 2014, ten borrowers made principal repayments totaling $4.5 million in the aggregate, consisting of $4.4 million of unscheduled principal and revolver repayments, as well as $0.1 million in contractual principal amortization. Below are the significant repayments and exits during the three months ended December 31, 2014.

In October 2014, North American Aircraft Services, LLC (NAAS) paid off early resulting in a $1.6 million realized gain and success fees of $0.6 million. The resulting IRR at payoff was 18.0%.

In December 2014, we sold our investment in Midwest Metal Distribution, Inc. (Midwest Metal) for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the three months ended December 31, 2014. Midwest Metal had been on non-accrual status at the time of the sale.

Recent Developments

Executive Officers

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

Registration Statement

On December 1, 2014, we filed Post-effective Amendment No. 4 to our universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-185191) and subsequently filed Post-effective Amendment No. 5 on January 29, 2015, which the SEC was declared effective as of January 30, 2015. Our Registration Statement registers an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. We currently have the ability to issue up to $239.0 million in securities under our Registration Statement through one or more transactions, including any sales of common stock pursuant to this prospectus supplement and the accompanying prospectus.

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RESULTS OF OPERATIONS

Comparison of the Three Months Ended December 31, 2014, to the Three Months Ended December 31, 2013

	Three Months Ended December 31,			
	2014	**2013**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 7,648**	$ 8,191	$ (543)	(6.6)%
Other income	**1,078**	201	877	436.3
Total investment income	**8,726**	8,392	334	4.0
EXPENSES				
Base management fee	**1,597**	1,456	141	9.7
Loan servicing fee	**832**	884	(52)	(5.9)
Incentive fee	**922**	974	(52)	(5.3)
Administration fee	**281**	203	78	38.4
Interest expense on borrowings	**678**	615	63	10.2
Distribution expense on mandatorily redeemable preferred stock	**1,029**	686	343	50.0
Amortization of deferred financing fees	**302**	315	(13)	(4.1)
Other expenses	**638**	611	27	4.4
Expenses before credits from Adviser	**6,279**	5,744	535	9.3
Credits to base management fee loan servicing fee	**(832)**	(884)	52	5.9
Credits to fees from Adviser - other	**(412)**	(878)	466	53.1
Total expenses net of credits	**5,035**	3,982	1,053	26.4
NET INVESTMENT INCOME	**3,691**	4,410	(719)	(16.3)
NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized loss on investments and escrows	**(12,858)**	(10,774)	2,084	19.3
Net unrealized appreciation of investments	**8,763**	16,877	(8,114)	(48.1)
Net unrealized depreciation (appreciation) of other	**735**	(7)	742	NM
Net (loss) gain from investments and other	**(3,360)**	6,096	(9,456)	NM
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 331**	$ 10,506	$ (10,175)	(96.8)%

NM = Not Meaningful

Investment Income

Total interest income decreased by 6.6% for the three months ended December 31, 2014, as compared to the prior year period. This decrease was due primarily to the increase in early payoffs at par during the year, resulting in a lower weighted average principal balance of interest-bearing investments compared to the prior period. This was partially offset by six new investments that we funded during the three months ended December 31, 2014. In addition, we recorded an allowance on certain interest receivables totaling $0.5 million, which reduces interest income, during the three months ended December 31, 2014, which resulted in a lower weighted average yield on the portfolio. The level of interest income from investments is directly related to the principal balance of the interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended December 31, 2014, was $283.0 million, compared to $299.6 million for the prior year period, a decrease of 5.5%. The annualized weighted average yield on our interest-bearing investment portfolio is based on the current stated interest rate on interest-bearing investments and decreased to 10.8% for the three months ended December 31, 2014 compared to 11.6% for the three months ended December 31, 2013. The weighted average yield on our interest-bearing investments for the three months ended December 31, 2014 includes any allowances on interest receivables made during that period.

As of December 31, 2014, two portfolio companies were on non-accrual status, with an aggregate debt cost basis of approximately $33.6 million, or 9.4%, of the cost basis of all debt investments in our portfolio. As of December 31, 2013, one portfolio company was on non-accrual status, with an aggregate debt cost basis of approximately $29.2 million, or 9.2%, of the cost basis of all debt investments in our portfolio. During the three months ended December 31, 2014, one non-accrual portfolio company was sold. See Overview Investment Highlights for more information. There were no new non-accruals added and no non-accruals placed on accrual status during the three months ended December 31, 2014 and 2013.

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For the three months ended December 31, 2014, other income consisted primarily of $0.6 million in success fees received from the early payoff of NAAS, $0.3 million in success fees prepaid by Francis Drilling Fluids, Ltd. (FDF), $0.1 million in dividend income and $0.1 million in other fees, both received from FDF. Other income for the three months ended December 31, 2013, consisted of $0.2 million in success fees received related to the sale of substantially all of the assets of Lindmark Acquisition, LLC (Lindmark) and the ensuing pay down of our debt investments at par in September 2013.

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

	As of December 31, 2014		Three Months Ended December 31, 2014	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
RBC Acquisition Corp.	$ 28,283	8.7%	$ 433	5.0%
Francis Drilling Fluids, Ltd.	21,523	6.6	1,075	12.3
WadeCo Specialties, Inc.(A)	21,097	6.5	324	3.7
Funko, LLC	19,011	5.8	249	2.9
J.America, Inc.(B)	16,103	4.9	478	5.5
Subtotal five largest investments	**106,017**	**32.5**	**2,559**	**29.4**
Other portfolio companies	220,607	67.5	6,165	70.6
Other non-portfolio company revenue			2	
Total Investment Portfolio	**$ 326,624**	**100.0%**	**$ 8,726**	**100.0%**

	As of December 31, 2013		Three Months Ended December 31, 2013	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Income**
RBC Acquisition Corp.	$ 34,219	12.1%	$ 817	9.7%
Midwest Metal Distribution, Inc.(C)	18,098	6.4	561	6.7
J.America, Inc.(B)	17,000	6.0	26	0.3
Francis Drilling Fluids, Ltd.	14,773	5.2	462	5.5
AG Transportation Holdings, LLC	13,065	4.6	461	5.5
Subtotal five largest investments	**97,155**	**34.3**	**2,327**	**27.7**
Other portfolio companies	186,051	65.7	6,061	72.2
Other non-portfolio company revenue			4	0.1
Total Investment Portfolio	**$ 283,206**	**100.0%**	**$ 8,392**	**100.0%**

(A) Investment added in March 2014.
(B) Investment added in December 2013.
(C) Investment exited in December 2014.

Expenses

Expenses, excluding any voluntary, irrevocable and non-contractual credits from the Adviser to the base management, loan servicing, and incentive fees, increased for the three months ended December 31, 2014, by 26.4%, as compared to the prior year period. This increase was primarily due to the increases in the net incentive fee and distribution expense on our mandatorily redeemable preferred stock during the three months ended December 31, 2014.

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The increase of $0.5 million in the net incentive fee earned by the Adviser during the three months ended December 31, 2014, as compared to the prior year period, was due to the partial incentive fee credit taken in the prior year period. There was no incentive fee credit granted by the Adviser during the three months ended December 31, 2014, due to a change in the assessment of distribution coverage of net investment income to a fiscal year end basis rather than a quarterly basis.

The base management fee, loan servicing fee and incentive fee, and associated unconditional and irrevocable voluntary credits, are computed quarterly, as described under Investment Advisory and Management Agreement in Note 4 of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended December 31,	
	2014	**2013**
Average total assets subject to base management fee[(A)]	**$ 319,400**	$ 291,200
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee[(B)]	**$ 1,597**	$ 1,456
Portfolio company fee credit	**(375)**	(333)
Senior syndicated loan fee waiver	**(37)**	(30)
Net Base Management Fee	**$ 1,185**	$ 1,093
Loan servicing fee[(B)]	**832**	884
Credit to base management fee - loan servicing fee[(B)]	**(832)**	(884)
Net Loan Servicing Fee	$	$
Incentive fee[(B)]	**922**	974
Incentive fee credit		(515)
Net Incentive Fee	**$ 922**	$ 459
Portfolio company fee credit	**(375)**	(333)
Senior syndicated loan fee waiver	**(37)**	(30)
Incentive fee credit		(515)
Credits to Fees From Adviser - other[(B)]	**$ (412)**	$ (878)

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Condensed Consolidated Statements of Operations*.

The increase of $0.3 million in distribution expense on our mandatorily redeemable preferred stock during the three months ended December 31, 2014, as compared to the prior year period, was primarily due to the higher monthly distribution amount on our Series 2021 Term Preferred Stock, which was issued in May 2014, and which was partially offset by the voluntary redemption of our Series 2016 Term Preferred Stock, which was issued in November 2011 and redeemed in May 2014. Refer to Liquidity and Capital Resources Equity Term Preferred Stock for further discussion of our term preferred stock.

Realized Loss and Unrealized Appreciation

Net Realized Loss on Investments and Escrows

For the three months ended December 31, 2014, we recorded a net realized loss on investments and escrows of $12.9 million, which primarily consisted of a realized loss of $14.5 million resulting from the sale of Midwest Metal during the period for net proceeds of $6.1 million. This realized loss was partially offset by the realized gain of $1.6 million we recognized on the early payoff of NAAS.

For the three months ended December 31, 2013, we recorded a net realized loss on investments of $10.8 million related to the sale of LocalTel, LLC (LocalTel).

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Net Unrealized Appreciation of Investments

Net unrealized appreciation (depreciation) of investments is the net change in the fair value of our investment portfolio during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are actually realized. During the three months ended December 31, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of $8.8 million, which included reversals totaling $13.4 million in cumulative unrealized depreciation primarily related to the sale of Midwest Metal during the period. Excluding reversals, we had $4.6 million in net unrealized depreciation for the three months ended December 31, 2014. Over our entire portfolio, the net unrealized depreciation (excluding reversals) for the three months ended December 31, 2014, consisted of approximately $9.8 million of depreciation on our debt investments and approximately $5.2 million of appreciation on our equity investments.

The net realized gains (losses) and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2014, were as follows:

	Three Months Ended December 31, 2014			
Portfolio Company	**Realized (Loss) Gain**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized Depreciation (Appreciation)**	**Net Gain (Loss)**
Funko, LLC	$	$ 3,648	$	$ 3,648
Defiance Integrated Technologies, Inc.		1,394		1,394
Midwest Metal Distribution, Inc.	(14,459)		15,578	1,119
Precision Acquisition Group Holdings, Inc.		620		620
Alloy Die Casting Co.		417		417
Meridian Rack & Pinion, Inc.		(290)		(290)
Edge Adhesives Holdings, Inc.		(301)		(301)
Vision Solutions, Inc.		(416)		(416)
Sunshine Media Holdings		(439)		(439)
J.America, Inc.		(546)		(546)
North American Aircraft Services, LLC	1,578		(2,216)	(638)
Targus Group International, Inc.		(684)		(684)
WadeCo. Specialties, Inc.		(726)		(726)
PLATO Learning, Inc.		(753)		(753)
Francis Drilling Fluids, Ltd.		(980)		(980)
Saunders & Associates		(1,480)		(1,480)
GFRC Holdings, LLC		(2,985)		(2,985)
Other, net (<$250)	23	(1,078)		(1,055)
Total:	**$ (12,858)**	**$ (4,599)**	**$ 13,362**	**$ (4,095)**

The largest driver of our net unrealized depreciation (excluding reversals) for the three months ended December 31, 2014, were declines in the financial and operational performance of GFRC Holdings, LLC of $3.0 million and Saunders & Associates of $1.5 million. Partially offsetting this net unrealized depreciation for the three months ended December 31, 2014, was the net unrealized appreciation on Funko, LLC of $3.6 million and Defiance Integrated Technologies, Inc. of $1.4 million due to incremental improvements in the financial and operational performance of these portfolio companies and, to lesser extent, increases in comparable multiples used in valuations.

During the three months ended December 31, 2013, we recorded net unrealized appreciation of investments in the aggregate amount of $16.9 million, which included reversals of $10.2 million in cumulative unrealized depreciation primarily related to the sale of LocalTel during the period. Excluding reversals, we had $6.7 million in net unrealized appreciation for the three months ended December 31, 2013. Over our entire portfolio, the net unrealized appreciation (excluding reversals) was comprised of approximately $3.2 million on our debt investments and approximately $3.5 million on our equity investments for the three months ended December 31, 2013.

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The net realized losses and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2013, were as follows:

	Three Months Ended December 31, 2013			
Portfolio Company	Realized Loss	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
RBC Acquisition Corp.	$	$ 3,256	$	$ 3,256
GFRC Holdings, LLC		1,728	45	1,773
Sunshine Media Holdings		1,462		1,462
Funko, LLC		648		648
Saunders & Associates		493		493
International Junior Golf Training Acquisition Company		(251)		(251)
Heartland Communications Group		(363)		(363)
LocalTel, LLC	(10,774)		10,218	(556)
Targus Group International, Inc.		(793)		(793)
Other, net (<$250)		556	(122)	434
Total:	**$ (10,774)**	**$ 6,736**	**$ 10,141**	**$ 6,103**

The largest driver of our net unrealized appreciation (excluding reversals) for the three months ended December 31, 2013, was due to several portfolio companies increased financial and operational performance and, to a lesser extent, the increase in certain comparable multiples used for equity valuations during the period, most notably that of RBC Acquisition Corp.

As of December 31, 2014, the fair value of our investment portfolio was less than its cost basis by approximately $59.2 million, and our entire investment portfolio was valued at 84.6% of cost, as compared to cumulative net unrealized depreciation of $68.0 million and a valuation of our entire portfolio at 80.5% of cost as of September 30, 2014. This decrease in cumulative unrealized depreciation quarter over quarter represents net unrealized appreciation of our investments of $8.8 million for the three months ended December 31, 2014. Of our current investment portfolio, ten portfolio companies originated before December 31, 2007, representing 30.1% of the entire cost basis of our portfolio, were valued at 58.2% of cost and include our two investments on non-accrual status. Our 39 portfolio companies which originated after December 31, 2007, representing 69.9% of the entire cost basis of our portfolio, were valued at 96.0% of cost and none of these portfolio companies are on non-accrual status.

We believe that our aggregate investment portfolio was valued at a depreciated value as of December 31, 2014, primarily due to the lingering effects of the recession that began in 2008 and its affect on the performance of certain of our portfolio companies and also because we were invested in certain industries that were disproportionately impacted by the recession. The cumulative net unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution to stockholders.

Net Unrealized Depreciation (Appreciation) of Other

Net unrealized depreciation (appreciation) of other includes the net change in the fair value of our Credit Facility and our interest rate swap during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. During the three months ended December 31, 2014, we recorded net unrealized depreciation of borrowings of $0.7 million compared to net unrealized appreciation of borrowings of $7 for the three months ended December 31, 2013. Our Credit Facility was fair valued at $84.1 million and $38.0 million as of December 31 and September 30, 2014, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

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

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make distributions to our stockholders, pay management fees to the Adviser, and for other operating expenses. Net cash used in operating activities during the three months ended December 31, 2014, was $42.3 million, as compared to $1.2 million for the three months ended December 31, 2013. The increase in cash used in operating activities was primarily due to an increase in disbursements to existing portfolio companies and a decrease in unscheduled principal repayments during the three months ended December 31, 2014.

As of December 31, 2014, we had loans to, syndicated participations in, or equity investments in 49 private companies with an aggregate cost basis of approximately $385.9 million. As of December 31, 2013, we had loans to, syndicated participations in and/or equity investments in 52 private companies with an aggregate cost basis of approximately $341.7 million.

The following table summarizes our total portfolio investment activity during the three months ended December 31, 2014 and 2013, at fair value:

	Three Months Ended December 31,	
	2014	**2013**
Beginning investment portfolio, at fair value	**$ 281,286**	$ 256,878
New investments	**44,099**	44,111
Disbursements to existing portfolio companies	**17,366**	770
Scheduled principal repayments	**(134)**	(930)
Unscheduled principal repayments	**(4,363)**	(23,737)
Net proceeds from sales of investments	**(7,713)**	
Net unrealized (depreciation) appreciation of investments	**(4,599)**	6,736
Reversal of prior period depreciation on realization	**13,362**	10,141
Net realized loss on investments	**(12,881)**	(10,732)
Increase in investment balance due to PIK[(A)]	**70**	53
Interest payments received on non-accrual loans	**502**	
Net change in premiums, discounts and amortization	**(371)**	(84)
Investment Portfolio, at Fair Value	**$ 326,624**	$ 283,206

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

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of December 31, 2014:

For the Fiscal Years Ending September 30:	Amount
For the remaining nine months ending September 30:	
2015	$ 43,666
2016	93,777
2017	12,431
2018	31,789
2019	64,037

Thereafter	111,989
Total contractual repayments	**$ 357,689**
Equity investments	29,303
Adjustments to cost basis on debt investments	(1,132)
Total Cost Basis of Investments Held at December 31, 2014:	**$ 385,860**

Financing Activities

Net cash provided by financing activities for the three months ended December 31, 2014 of $42.4 million consisted primarily of net borrowings on our line of credit of $46.8 million, partially offset by $4.4 million of distributions to common stockholders. Net cash used in financing activities for the three months ended December 31, 2013 of $3.6 million consisted primarily of distributions to common stockholders of $4.4 million.

Distributions to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate-level federal income tax on the income that we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90.0% of our investment company taxable income. Additionally, the covenants in our Credit Facility generally restrict the amount of distributions to stockholders that we can pay out to be no greater than our net investment income in each fiscal year. In accordance with these requirements, we declared and paid monthly cash distributions of $0.07 per common share for each of the three months from October 2014 through December 2014, which totaled an aggregate of $4.4 million. In January 2015, our Board of Directors declared a monthly distribution of $0.07 per common share for each of January, February and March 2015. Our Board of Directors declared these distributions to our stockholders based on our estimates of our investment company taxable income for the fiscal year ending September 30, 2015.

For the fiscal year ended September 30, 2014, which includes the three months ended December 31, 2013, our aggregate distributions to common stockholders totaled approximately $17.7 million, which were declared based on estimates of our investment company taxable income for that fiscal year. For our fiscal year ended September 30, 2014, our common stockholder distributions declared and paid exceeded our current and accumulated earnings and profits (after taking into account our preferred stock distributions), resulted in a partial return of capital of approximately $15.2 million. The return of capital was primarily due to accounting principles generally accepted in the U.S. (GAAP) realized losses being recognized as ordinary losses for federal income tax purposes. The characterization of the common stockholder distributions declared and paid for the fiscal year ending September 30, 2015 will be determined at fiscal year-end based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization. If we characterized our common stockholder distributions for the three months ended December 31, 2014, 100.0% would be a return of capital, primarily due to GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

Preferred Stock Distributions

Our Board of Directors also declared, and we paid, monthly cash distributions of $0.140625 per share of our Series 2021 Term Preferred Stock for each of the three months from October 2014 through December 2014, which totaled an aggregate of $1.0 million. In January 2015, our Board of directors declared a monthly distribution of $0.140625 per share of Series 2021 Term Preferred stock for each of January, February and March 2015. In accordance with GAAP, we treat these monthly distributions to preferred stockholders as an expense. For federal income tax purposes, distributions paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits have been characterized as ordinary income to our preferred stockholders.

Equity

Registration Statement

We filed Post-effective Amendment No. 4 to our universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-185191) with the SEC on December 1, 2014, and subsequently filed Post-effective Amendment No. 5 on January 29, 2015, which the SEC was declared effective as of January 30, 2015. Our Registration Statement registers an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. We currently have the ability to issue up to $239.0 million in securities under our Registration Statement through one or more transactions. We issued approximately 2.4 million shares of our Series 2021 Term Preferred Stock under our Registration in May 2014. No other securities have been issued under our Registration Statement.

Common Stock

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. Additionally, when our common stock is trading below NAV per share, as it has from time to time over the last four years, the 1940 Act restricts our ability to obtain additional capital by issuing common stock. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our then current NAV per common share, other than to our then existing common stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors. As of January 30, 2015, our closing market price was $7.41 per common share, a 25.6% discount to our December 31, 2014 NAV per common share of $9.31. To the extent that our common stock trades at a market price below our NAV per common share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder approval or a rights offering to existing common stockholders.

At our Annual Meeting of Stockholders held on February 12, 2015, our stockholders approved a proposal authorizing us to sell shares of our common stock at a price below our then current NAV per share subject to certain limitations (including, but not limited to, that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding common stock immediately prior to each such sale) for a period of one year from the date of approval, provided that our Board of Directors makes certain determinations prior to any such sale. We have not issued any common stock since February 2008 and have not issued common stock below the then current NAV per share to date.

Term Preferred Stock

Pursuant to our Registration Statement, in May 2014, we completed a public offering of approximately 2.4 million shares of our Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share and a 6.75% rate. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing Series 2016 Term Preferred Stock and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. In connection with the voluntary redemption of our Series 2016 Term Preferred Stock, we recognized a realized loss on extinguishment of debt of $1.3 million, which was reflected on our statement of operations during the three months ended June 30, 2014 and was primarily comprised of the unamortized deferred issuance costs at the time of redemption.

We incurred $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and are being amortized over the redemption period ending June 30, 2021. The shares of our Series 2021 Term Preferred Stock and are traded under the ticker symbol of GLADO on the NASDAQ. Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed distribution rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series 2021 Term Preferred Stock and (2) if we fail to maintain an asset coverage ratio of at least 200.0% and do not take steps to cure such asset coverage amount within a specified period of time. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at our option at the Redemption Price in order to have an asset coverage ratio of up to and including 240.0% and at any time on or after June 30, 2017. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed distribution rate will increase by 4.0% for so long as such failure continues. As of December 31, 2014, we have not redeemed any of our outstanding Series 2021 Term Preferred Stock. Our

Series 2021 Term Preferred Stock has been recorded as a liability in accordance with GAAP and, as such, affects our asset coverage, exposing us to additional leverage risks.

Pursuant to our prior registration statement, in November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock at a public offering price of $25.00 per share and a 7.125% rate. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. We incurred $2.1 million in total offering costs related to these transactions, which were recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and were amortized over the redemption period ending December 31, 2016. In May 2014 when our Series 2016 Term Preferred Stock was voluntarily redeemed, the remaining unamortized costs at that time were fully written off as part of the realized loss on extinguishment of debt discussed above. Our Series 2016 Term Preferred Stock provided for a fixed distribution rate equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year). The shares of our Series 2016 Term Preferred were traded under the ticker symbol of GLADP on the NASDAQ. In connection with the voluntary redemption, shares of our Series 2016 Term Preferred Stock were removed from listing on May 22, 2014. We had not issued any preferred stock prior to the issuance of our Series 2016 Term Preferred Stock.

Revolving Credit Facility

On April 26, 2013, we, through our wholly-owned subsidiary, Gladstone Business Loan, LLC (Business Loan), entered into Amendment No. 6 to the fourth amended and restated credit agreement (our Credit Facility) to extend the revolver period end date for one year to January 19, 2016. Our $137.0 million revolving Credit Facility was arranged by Key Equipment Finance, a division of KeyBank National Association, (Key Equipment) as administrative agent. KeyBank National Association, Branch Banking and Trust Company and ING Capital LLC also joined our Credit Facility as committed lenders. Subject to certain terms and conditions, our Credit Facility may be expanded from $137.0 million to a maximum of $237.0 million through the addition of other committed lenders to the facility. The interest rates on advances under our Credit Facility generally bear interest at a 30-day LIBOR plus 3.75% per annum, with a commitment fee of 0.5% per annum on undrawn amounts when our facility is drawn more than 50% and 1.0% per annum on undrawn amounts when our facility is drawn less than 50%. If our Credit Facility is not renewed or extended by January 19, 2016, all principal and interest will be due and payable on or before November 30, 2016. Prior to the April 26, 2013 amendment, on January 29, 2013, we, through Business Loan, amended our Credit Facility to remove the LIBOR minimum of 1.5% on advances. We incurred fees of $0.7 million in April 2013 and $0.6 million in January 2013 in connection with these amendments, which are being amortized through our Credit Facility s revolver period end date of January 19, 2016. All other terms of our Credit Facility remained generally unchanged at the time of these amendments.

Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with Key Equipment as custodian and with The Bank of New York Mellon Trust Company, N.A as custodian. Key Equipment, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consents. Our Credit Facility also generally limits payments on distributions to our stockholders to the aggregate net investment income for each of the twelve month periods ending September 30, 2015 and 2016. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base in order to receive additional borrowing availability credit under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 20 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $190.0 million plus 50.0% of all equity and subordinated debt raised after January 19, 2012, which equates to $220.5 million as of December 31, 2014, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

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As of December 31, 2014, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $256.6 million, asset coverage of 235.6% and an active status as a BDC and RIC. In addition, we had 32 obligors in the borrowing base of our Credit Facility as of December 31, 2014. As of December 31, 2014 we were in compliance with all of our Credit Facility covenants.

On July 15, 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our revolving line of credit pursuant to the terms of our Credit Facility. The one month LIBOR cap is set at 5.0%. We incurred a premium fee of $62 in conjunction with this agreement, which is recorded in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities.* As of December 31, 2014 and September 30, 2014, the fair value of our interest rate cap agreement was $0.

Contractual Obligations and Off-Balance Sheet Arrangements

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements. As of December 31 and September 30, 2014, our unused line of credit commitments totaled $12.0 million and $5.9 million, respectively.

When investing in certain private equity funds, we may have uncalled capital commitments depending on the agreed upon terms of our committed ownership interest. These capital commitments usually have a specific date in the future set as a closing date, at which time the commitment is either funded or terminates. As of December 31, 2014 and September 30, 2014, we had uncalled capital commitments related to our partnership interest in Leeds Novamark Capital I, L.P. of $2.8 million.

The following table summarizes our contractual obligations as of December 31, 2014, at cost:

	Payments Due by Fiscal Years				
Contractual Obligations(A)	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**	**Total**
Credit Facility(B)	$	$ 83,500	$	$	$ 83,500
Series 2021 term preferred stock				61,000	61,000
Interest expense on debt obligations(C)	5,800	13,457	8,235	3,088	30,580
Total	**$ 5,800**	**$ 96,957**	**$ 8,235**	**$ 64,088**	**$ 175,080**

(A) Excludes our unused line of credit and uncalled capital commitments to our portfolio companies in an aggregate amount of $14.8 million as of December 31, 2014.

(B) Principal balance of borrowings under our Credit Facility, based on the current contractual maturity as of December 31, 2014 due to the revolving nature of the facility.

(C) Includes estimated interest payments on our Credit Facility and distribution obligations on our Series 2021 Term Preferred Stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of December 31, 2014. Distribution payments on our Series 2021 Term Preferred Stock assume quarterly distribution declarations and monthly distribution distributions to stockholders through the date of mandatory redemption.

Of our interest bearing debt investments as of December 31, 2014, 34.9% had a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally recognize success fees as income only when the payment has been received. As a result, as of December 31 and September 30, 2014, we had aggregate unrecognized success fee receivables on our accruing debt investments of $10.8 million and $11.0 million (or approximately $0.51 per common share and $0.52 million), respectively, that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or income statement. Due to our success fees contingent nature, there are no guarantees that we will be able to collect all of these success fees or know the timing of such collections.

CRITICAL ACCOUNTING POLICIES

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

Investment Valuation

The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded in our accompanying *Condensed Consolidated Financial Statements*.

Accounting Recognition

We record our investments at fair value in accordance with the Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and amortized cost basis of the investment, without regard to unrealized depreciation or appreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized depreciation or appreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized depreciation or appreciation when gains or losses are realized.

In accordance with ASC 820, our investments fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of December 31 and September 30, 2014, all of our investments were valued using Level 3 inputs and during the three months ended December 31, 2014 and 2013, there were no investments transferred into or out of Level 1, 2 or 3.

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Board Responsibility

In accordance with the 1940 Act, our Board of Directors has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on the Policy. Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the valuation officer (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the valuation officer, uses the Policy and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently.

Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments. Currently, the sole third-party service provider Standard & Poor s Securities Evaluation, Inc. (SPSE) provides estimates of fair value on our proprietary debt investments.

The Valuation Team generally assigns SPSE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimate of value on a specific debt investment may significantly differ from SPSE s. When this occurs, our Board of Directors reviews whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended value is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended valuation.

Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company s ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization (EBITDA)); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries, and other pertinent factors. The Valuation Team generally references industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then allocates the TEV to the portfolio company s securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses the DCF to calculate TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

Yield Analysis The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team s own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

Market Quotes For our syndicate investments for which a limited market exists, fair value is generally based on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis explained above). In addition, the Valuation Team assesses trading activity for similar syndicated investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price (IBP) in the bid-to-ask price range obtained from the respective originating syndication agent s trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy.

Investments in Funds For equity investments in other funds, the Valuation Team generally determines the fair value of our uninvested capital at par value and of our invested capital at the NAV provided by the fund. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the above valuation techniques, the Valuation Team may also consider the other factors when determining fair values of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the most recently completed quarter are generally valued at original cost basis.

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

Refer to Note 3 *Investments* in the accompanying notes to our accompanying *Condensed Consolidated Financial Statements* included elsewhere in this report for additional information regarding fair value measurements and our application of ASC 820.

Credit Monitoring and Risk Rating

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

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

The following table reflects risk ratings for all proprietary loans in our portfolio as of December 31, 2014 and September 30, 2014, representing approximately 78.2% and 80.8%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of December 31, 2014**	**As of September 30, 2014**
Highest	**8.0**	9.0
Average	**5.7**	5.9
Weighted Average	**5.4**	5.2
Lowest	**3.0**	2.0

The following table reflects corporate level risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO as of December 31, 2014 and September 30, 2014, representing approximately 19.7% and 16.6%, respectively, of the principal balance of all debt investments in our portfolio at the end of each period:

Rating	**As of December 31, 2014**	**As of September 30, 2014**
Highest	**6.0**	6.0
Average	**4.6**	4.6
Weighted Average	**4.7**	4.8
Lowest	**3.0**	3.5

In addition, there was one syndicated loan in our portfolio that was not rated by an NRSRO as of December 31, 2014 and September 30, 2014 and it represented 2.1% and 2.6%, respectively, of the principal balance of all debt investments in our portfolio. For the periods ended December 31, 2014 and September 30, 2014 the syndicated loan had a risk rating of 4.

Tax Status

Federal Income Taxes

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains that we distribute to our stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must also meet certain annual stockholder distribution requirements. To satisfy the RIC annual distribution requirement, we must distribute to stockholders at least 90.0% of our investment company taxable income, as defined by the Code. Our policy generally is to make distributions to our stockholders in an amount up to 100.0% of our investment company taxable income.

In an effort to limit certain federal excise taxes imposed on RICs, we currently intend to distribute to our stockholders, during each calendar year, an amount at least equal to the sum of: (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gain net income for the one-year period ending on October 31 of the calendar year, and (3) any ordinary income and capital gain net income from preceding years that were not distributed during such years. Under the RIC Modernization Act (the RIC Act), we are permitted to carry forward capital losses incurred in taxable years beginning after September 30, 2011, for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under the previous regulation.

Revenue Recognition

Interest Income Recognition

Interest income, adjusted for amortization of premiums, acquisition costs, and amendment fees and the accretion of original issue discounts (OID), is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current, or, due to a restructuring, the interest income is deemed to be collectible. As of December 31, 2014, two portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $33.6 million, or 9.4% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $8.3 million, or 2.8% of the fair value of all debt investments in our portfolio. As of September 30, 2014, three portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $13.2 million, or 5.2% of the fair value of all debt investments in our portfolio.

We currently hold, and we expect to hold in the future, some loans in our portfolio that contain OID or PIK provisions. We recognize OID for loans originally issued at discounts and recognize the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Therefore, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain our ability to be taxed as a RIC, we may need to pay out both of our OID and PIK non-cash income amounts in the form of distributions, even though we have not yet collected the cash on either.

As of December 31 and September 30, 2014, we had 20 and 17 original OID loans, respectively, primarily from the syndicated investments in our portfolio. We recorded OID income of $63 and $61 for the three months ended December 31, 2014 and 2013, respectively. The unamortized balance of OID investments as of December 31 and September 30, 2014, totaled $1.0 million and $0.6 million, respectively. As of December 31 and September 30, 2014, we had two and three investments which had a PIK interest component. We recorded PIK income of $67 and $92 for the three months ended December 31, 2014 and 2013, respectively. We collected $0.2 million and $0 PIK interest in cash in each of the three months ended December 31, 2014 and 2013, respectively.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We received an aggregate of $0.9 million in success fees during the three months ended December 31, 2014, which resulted from $0.6 million related to the early payoff of NAAS at a realized gain and $0.3 million prepayment of success fees by FDF. We received $0.2 million in success fees during the three months ended December 31, 2013 related to our sale of substantially all of the assets in Lindmark and the ensuing pay down of our debt investments at par in September 2013.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. During the three months ended December 31, 2014, we recorded an aggregate of $0.1 million of dividend income, net of return of capital cost basis adjustments, which resulted from our preferred equity investment in FDF. We did not record any dividend income during the three months ended December 31, 2013.

Success fees and dividend income are recorded in other income in our accompanying *Condensed Consolidated Statements of Operations.*

Recent Accounting Pronouncements

See Note 2   *Summary of Significant Accounting Policies* in the accompanying notes to our *Condensed Consolidated Financial Statements* included elsewhere in this report for a description and our adoption of recent accounting pronouncements.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

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

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

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

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

the leverage available to us.

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

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PLAN OF DISTRIBUTION

Upon written instructions from the Company, KeyBanc Capital Markets Inc. and Cantor Fitzgerald & Co., as applicable, will each use its commercially reasonable efforts consistent with its sales and trading practices to sell, as our sales agent, the common stock under the terms and subject to the conditions set forth in each Sales Agent s Sales Agreement. We will instruct each Sales Agent as to the amount of common stock to be sold by such Sales Agent; provided, however, that, subject to the terms of the Sales Agreements, any sales of common stock pursuant to the Sales Agreements will only be effected by or through only one of KeyBanc Capital Markets Inc. or Cantor Fitzgerald & Co. on any single given day, but in no event by more than one Sales Agent. We may instruct the Sales Agents not to sell common stock if the sales cannot be effected at or above the price designated by the Company in any instruction. We or the Sales Agents may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by means of ordinary brokers transactions on the NASDAQ or that otherwise qualify for delivery of a prospectus to the NASDAQ in accordance with Rule 153 under the Securities Act, at market prices prevailing at the time of sale, at prices related to prevailing market prices or negotiated transactions or as otherwise agreed with each Sales Agent.

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

Each Sales Agent will receive from us a commission to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of all shares of common stock sold through it as Sales Agent under the applicable Sales Agreement. We estimate that the total expenses for the offering, excluding compensation payable to the Sales Agents under the terms of the Sales Agreement, will be approximately $100,000, which includes our legal, accounting and printing costs and various other fees associated with the offering. Additionally, we have agreed to reimburse the Sales Agents for their reasonable out-of-pocket expenses, including the fees and disbursements of one counsel incurred by the Sales Agents in connection with this offering up to an aggregate amount of $150,000 if shares of our common stock in this offering having an aggregate offering price of $25,000,000 or more have not been offered and sold collectively under the Sales Agreements by the eighteen-month anniversary of the date of the Sales Agreements (or such earlier date at which we terminate such agreements).

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

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

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

The Sales Agents and their respective affiliates may perform commercial banking, investment banking and advisory services for us or our affiliates from time to time for which they have received customary fees and expenses. The Sales Agents and their respective affiliates may, from time to time, engage in transactions with and perform services for us or our affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Sales Agents and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The Sales Agents and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of KeyBanc Capital Markets Inc. is 127 Public Square, 4th Floor, Cleveland, Ohio 44114 and the principal business address of Cantor Fitzgerald & Co. is 499 Park Avenue, New York, New York 10022.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain matters of Maryland law, including the validity of the common stock to be issued in connection with this offering, will be passed upon for us by Venable LLP, Baltimore, Maryland. The Sales Agents are being represented in connection with this offering by Troutman Saunders LLP. Bass, Berry & Sims PLC and Troutman Sanders LLP may rely as to certain matters of Maryland law upon the opinion of Venable LLP.

EXPERTS

The financial statements as of September 30, 2014 and September 30, 2013 and for each of the three years in the period ended September 30, 2014 and management s assessment of the effectiveness of internal control over financial reporting (which is included in the Report of Management on Internal Controls) as of September 30, 2014 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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INDEX TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	December 31, 2014	September 30, 2014
ASSETS		
Investments at fair value:		
Non-Control/Non-Affiliate investments (Cost of **$283,539** and $225,845, respectively)	**$ 249,107**	$ 198,926
Affiliate investments (Cost of **$60,275** and $61,281, respectively)	**55,747**	57,006
Control investments (Cost of **$42,046** and $62,159, respectively)	**21,770**	25,354
Total investments at fair value (Cost of **$385,860** and $349,285, respectively)	**326,624**	281,286
Cash and cash equivalents	**6,380**	6,314
Restricted cash and cash equivalents	**974**	675
Interest receivable	**3,583**	2,767
Due from custodian	**1,999**	6,022
Deferred financing fees	**3,039**	3,340
Other assets	**1,382**	1,025
TOTAL ASSETS	**$ 343,981**	$ 301,429
LIABILITIES		
Borrowings at fair value (Cost of **$83,500** and $36,700, respectively)	**$ 84,078**	$ 38,013
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **4,000,000** shares authorized and **2,440,000** shares issued and outstanding	**61,000**	61,000
Accounts payable and accrued expenses	**590**	462
Interest payable	**207**	146
Fees due to Adviser[(A)]	**1,470**	875
Fee due to Administrator[(A)]	**281**	218
Other liabilities	**774**	1,055
TOTAL LIABILITIES	**$ 148,400**	$ 101,769
Commitments and contingencies[(B)]		
NET ASSETS		
Common stock, $0.001 par value per share, **46,000,000** shares authorized and **21,000,160** shares issued and outstanding	**$ 21**	$ 21

Capital in excess of par value		**292,859**		307,348
Note receivable from employee[(A)]		**(100)**		(100)
Cumulative net unrealized depreciation of investments		**(59,236)**		(67,999)
Cumulative net unrealized appreciation of other		**(639)**		(1,374)
Overdistributed net investment income		**(3,873)**		(1,928)
Accumulated net realized losses		**(33,451)**		(36,308)
TOTAL NET ASSETS	**$**	**195,581**	$	199,660
NET ASSET VALUE PER COMMON SHARE AT END OF PERIOD	**$**	**9.31**	$	9.51

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31, 2014	2013
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	$ **6,343**	$ 6,399
Affiliate investments	**1,121**	219
Control investments	**182**	1,569
Other	**2**	4
Total interest income	**7,648**	8,191
Other income		
Non-Control/Non-Affiliate investments	**1,078**	1
Affiliate investments		
Control investments		200
Total other income	**1,078**	201
Total investment income	**8,726**	8,392
EXPENSES		
Base management fee[(A)]	**1,597**	1,456
Loan servicing fee[(A)]	**832**	884
Incentive fee[(A)]	**922**	974
Administration fee[(A)]	**281**	203
Interest expense on borrowings	**678**	615
Dividend expense on mandatorily redeemable preferred stock	**1,029**	686
Amortization of deferred financing fees	**302**	315
Professional fees	**374**	290
Other general and administrative expenses	**264**	321
Expenses before credits from Adviser	**6,279**	5,744
Credit to base management fee - loan servicing fee[(A)]	**(832)**	(884)
Credits to fees from Adviser - other[(A)]	**(412)**	(878)
Total expenses, net of credits	**5,035**	3,982
NET INVESTMENT INCOME	**3,691**	4,410

NET REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized (loss) gain:				
Non-Control/Non-Affiliate investments		**1,578**		
Control investments		**(14,459)**		(10,732)
Escrows		**23**		(42)
Total net realized loss		**(12,858)**		(10,774)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments		**(7,513)**		2,094
Affiliate investments		**(252)**		(155)
Control investments		**16,528**		14,938
Other		**735**		(7)
Total net unrealized appreciation		**9,498**		16,870
Net realized and unrealized (loss) gain		**(3,360)**		6,096
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**331**	$	10,506
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$**	**0.18**	$	0.21
Net increase in net assets resulting from operations	**$**	**0.02**	$	0.50
Distributions declared and paid	**$**	**0.21**	$	0.21
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and Diluted		**21,000,160**		21,000,160

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended December 31, 2014		2013	
OPERATIONS				
Net investment income	**$**	**3,691**	$	4,410
Net realized loss on investments		**(12,858)**		(10,774)
Net unrealized appreciation of investments		**8,763**		16,877
Net unrealized depreciation (appreciation) of other		**735**		(7)
Net increase in net assets resulting from operations		**331**		10,506
DISTRIBUTIONS				
Distributions to common stockholders		**(4,410)**		(4,410)
NET (DECREASE) INCREASE IN NET ASSETS		**(4,079)**		6,096
NET ASSETS, BEGINNING OF PERIOD		**199,660**		205,992
NET ASSETS, END OF PERIOD	**$**	**195,581**	$	212,088

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

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 331**	$ 10,506
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments	**(61,465)**	(44,881)
Principal repayments on investments	**4,497**	24,667
Net proceeds from sale of investments	**7,713**	
Increase in investment balance due to paid-in-kind interest	**(70)**	(53)
Net change in premiums, discounts and amortization	**371**	84
Interest payments received on non-accrual loans	**(502)**	
Net realized loss on investments	**12,881**	10,732
Net unrealized appreciation of investments	**(8,763)**	(16,877)
Net unrealized (depreciation) appreciation other	**(735)**	7
(Increase) decrease in restricted cash and cash equivalents	**(299)**	307
Amortization of deferred financing fees	**302**	315
(Increase) decrease in interest receivable	**(816)**	3
Decrease in due from custodian	**4,023**	14,344
(Increase) decrease in other assets	**(357)**	177
Increase (decrease) in accounts payable and accrued expenses	**128**	(2)
Increase (decrease) in interest payable	**61**	(22)
Increase (decrease) in fees due to Adviser[(A)]	**595**	(851)
Increase in fee due to Administrator[(A)]	**63**	77
(Decrease) increase in other liabilities	**(281)**	267
Net cash used in operating activities	**(42,323)**	(1,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**59,500**	42,400
Repayments on borrowings	**(12,700)**	(41,600)
Deferred financing fees	**(1)**	
Distributions paid to common stockholders	**(4,410)**	(4,410)
Net cash provided by (used in) financing activities	**42,389**	(3,610)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**66**	(4,810)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**6,314**		13,900
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**6,380**	$	9,090

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N]:					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Senior Subordinated Term Debt (13.3%, Due 3/2018)[D]	$ 13,000	$ 12,920	$ 12,805
		Member Profit Participation (18.0% ownership)[F] [H]		1,000	
		Profit Participation Warrants (7.0% ownership)[F] [H]		244	
				14,164	12,805
Allison Publications, LLC	Printing and publishing	Line of Credit, $0 available (8.3%, Due 9/2016)[D]	600	600	596
		Senior Term Debt (8.3%, Due 9/2018)[D]	2,875	2,875	2,853
		Senior Term Debt (13.0%, Due 9/2018)[C] [D]	5,400	5,400	5,366
				8,875	8,815
Alloy Die Casting Co.	Diversified/ conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018)[D]	5,235	5,235	5,183
		Preferred Stock (1,742 units)[F] [H]		1,742	1,585
		Common Stock (270 units)[F] [H]		18	
				6,995	6,768
Behrens Manufacturing, LLC	Diversified/ conglomerate manufacturing	Senior Term Debt (13.0%, Due 12/2018)[D]	4,275	4,275	4,232
		Preferred Stock (1,252 shares)[F] [H] [K]		1,253	1,203
				5,528	5,435
B+T Group Acquisition Inc.	Telecommunications		300	300	300

		Line of Credit, $300 available (10.0%, Due 6/2015)(J)			
		Senior Term Debt (13.0%, Due 12/2019)(J)	6,000	6,000	6,000
		Convertible Preferred Stock (5,503 units)(H) (J) (K)		1,799	1,799
				8,099	8,099
Chinese Yellow Pages Company	Printing and publishing	Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	81
Circuitronics, Inc.	Diversified/ conglomerate manufacturing	Line of Credit, $1,500 available (6.5%, Due 12/2017)(J)	1,500	1,500	1,500
		Senior Term Debt (9.5%, Due 12/2019)(J)	11,000	11,000	11,000
		Common Stock (100 shares) (H) (J)		1,000	1,000
				13,500	13,500
Francis Drilling Fluids, Ltd.	Oil and gas	Senior Subordinated Term Debt (11.4%, Due 4/2020)(D)	15,000	15,000	14,025
		Senior Subordinated Term Debt (10.3%, Due 4/2020)(D)	7,000	7,000	6,545
		Preferred Equity Units (999 units)(F) (H)		648	747
		Common Equity Units (999 units)(F) H)		1	206
				22,649	21,523
Funko, LLC	Personal and non-durable consumer products	Senior Subordinated Term Debt (9.5%, Due 5/2019)(J)(G)	7,500	7,500	7,500
		Senior Subordinated Term Debt (9.5%, Due 5/2019)(J)(G)		2,000	2,000
		Preferred Equity Units (1,305 units)(F) (H)		1,305	9,511
				10,805	19,011
GFRC Holdings, LLC	Buildings and real estate	Line of Credit, $130 available (10.5%, Due 12/2014)(D)	270	270	134
		Senior Term Debt (10.5%, Due 6/2016)(D)	4,924	4,924	2,435
		Senior Subordinated Term Debt (13.0%, Due 6/2016)(D)	6,598	6,598	1,064
				11,792	3,633

Heartland Communications Group	Broadcasting and entertainment	Line of Credit, $0 available (5.0%, Due 9/2014)(D) (G) (I)	100	95	65
		Line of Credit, $0 available (10.0%, Due 9/2014)(D) (G) (I)	100	91	65
		Senior Term Debt (5.0%, Due 9/2014)(D) (G) (I)	4,342	4,141	824
		Common Stock Warrants (8.8% ownership)(F) (H)		66	
				4,393	954
J. America, Inc.	Personal and non-durable consumer products	Senior Subordinated Term Debt (10.4%, Due 12/2019)(D)(G)	7,500	7,500	7,125
		Senior Subordinated Term Debt (11.5%, Due 12/2019)(D)(G)	9,500	9,500	8,978
				17,000	16,103
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,778 uncalled capital commitment)(H) (M)		217	49

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N] (Continued):					
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Senior Term Debt (11.0%, Due 11/2014)[D]	$ 6,699	$ 6,699	$ 3,724
Meridian Rack & Pinion, Inc.	Automobile	Senior Term Debt (13.5%, Due 12/2018)[D]	4,140	4,140	4,114
		Convertible Preferred Stock (1,449 shares)[F] [H]		1,449	1,279
				5,589	5,393
Precision Acquisition Group Holdings, Inc.	Machinery	Equipment Note (9.0%, Due 3/2015)[D]	1,000	1,000	890
		Senior Term Debt (9.0%, Due 3/2015)[D]	4,125	4,125	1,096
		Senior Term Debt (9.0%, Due 3/2015)[C] [D]	4,053	4,053	457
				9,178	2,443
Saunders & Associates	Electronics	Line of Credit, $0 available (11.3%, Due 5/2013)[D]	917	917	275
		Senior Term Debt (11.3%, Due 5/2013)[D]	8,947	8,947	2,684
				9,864	2,959
Southern Petroleum Laboratories, Inc.	Oil and gas	Senior Subordinated Term Debt (11.5%, Due 2/2020)[D]	8,000	8,000	7,940
		Common Stock (100 shares)[F] [H]		750	750
				8,750	8,690

Sunburst Media - Louisiana, LLC	Broadcasting and entertainment	Senior Term Debt (8.5%, Due 2/2016)(F) (G)	6,026	6,026	1,600
Vision Government Solutions, Inc.	Diversified/conglomerate service	Line of Credit, $1,000 available (7.5%, Due 12/2017) (J)	1,000	1,000	1,000
		Senior Term Debt (9.75%, Due 12/2019) (J)	9,000	9,000	9,000
				10,000	10,000
WadeCo Specialties, Inc.	Oil and gas	Line of Credit, $3,526 available (8.0%, Due 3/2016)(D)	1,474	1,474	1,416
		Senior Term Debt (8.0%, Due 3/2019)(D)	13,000	13,000	12,480
		Senior Subordinated Term Debt (12.0%, Due 3/2019)(D)	7,000	7,000	6,685
		Convertible Preferred Stock (1,000 shares)(F) (H)		313	516
				21,787	21,097
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Senior Term Debt (7.5%, Due 4/2016)(D)	50	50	50
		Senior Term Debt (12.5%, Due 4/2016)(D)	4,000	4,000	3,728
		Common Stock (58,333 shares) (F) (H)		408	58
				4,458	3,836
Subtotal Proprietary Investments				**$ 206,476**	**$ 176,518**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Senior Term Debt (9.0% and 1.5% PIK, Due 3/2016)(E)	$ 7,344	$ 7,300	$ 6,243
Ardent Medical Services, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (11.0%, Due 1/2019)(E)	7,143	7,135	7,107
Autoparts Holdings Limited	Automobile	Senior Term Debt (10.5%, Due 1/2018)(E)	700	697	684
Blue Coat Systems, Inc.	Electronics	Senior Subordinated Term Debt (9.5%, Due 6/2020)(E)	3,000	2,975	2,925
Envision Acquisition Company, LLC	Healthcare, education and childcare	Senior Subordinated Term Debt (9.8%, Due	2,500	2,455	2,463

		11/2021)(E)			
First American Payment Systems, L.P.	Finance	Senior Subordinated Term Debt (10.8%, Due 4/2019)(E)	4,195	4,168	4,158
GTCR Valor Companies, Inc.	Electronics	Senior Subordinated Term Debt (9.5%, Due 11/2021)(E)	3,000	2,982	2,880
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (10.3%, Due 7/2020)(E)	4,000	3,987	3,960

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[N] (Continued):					
PLATO Learning, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (11.3%, Due 5/2019)[E]	$ 5,000	$ 4,928	$ 4,250
PSC Industrial Holdings Corp	Oil and gas	Senior Subordinated Term Debt (10.5%, Due 12/2021)[E]	3,500	3,430	3,430
RP Crown Parent, LLC	Electronics	Senior Subordinated Term Debt (11.3%, Due 12/2019)[E]	2,000	1,968	1,660
Sensus USA, Inc.	Electronics	Senior Term Debt (8.5%, Due 5/2018)[E]	500	497	475
SourceHOV LLC	Finance	Senior Subordinated Term Debt (11.5%, Due 4/2020) [E]	5,000	4,803	4,762
Targus Group International, Inc.	Textiles and leather	Senior Term Debt (11.0% and 1.0% PIK, Due 5/2016)[E]	9,031	8,964	7,496
The Active Network	Electronics	Senior Subordinated Term Debt (9.5%, Due 11/2021)[E]	1,000	995	965
Vertellus Specialties, Inc.	Chemicals, plastics and rubber	Senior Term Debt (10.5%, Due 10/2019)[E]	3,990	3,853	3,751
Vision Solutions, Inc.	Electronics	Senior Term Debt (9.5%, Due 7/2017)[E]	11,000	10,957	10,559
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Senior Subordinated Term Debt (9.3%, Due 11/2021)[E]	4,500	4,474	4,342

W3, Co.	Oil and gas	Senior Subordinated Term Debt (9.3%, Due 9/2020)(E)	499	495	479
Subtotal - Syndicated Investments				**$ 77,063**	**$ 72,589**
Total Non-Control/Non-Affiliate Investments (represented 76.3% of total investments at fair value)				**$ 283,539**	**$ 249,107**
AFFILATE INVESTMENTS(O) :					
Ashland Acquisition, LLC	Printing and publishing	Line of Credit, $1,500 available (12.0%, Due 7/2016)(D) (G)	$	$	$
		Senior Term Debt (12.0%, Due 7/2018)(D) (G)	7,000	7,000	7,018
		Preferred Equity Units (4,400 units)(F) (H)		440	205
		Common Equity Units (4,400 units)(F) (H)			
				7,440	7,223
Edge Adhesives Holdings, Inc.	Diversified/conglomerate manufacturing	Line of Credit, $567 available (12.5%, Due 8/2015)(D)	433	433	431
		Senior Term Debt (12.5%, Due 2/2019)(D)	6,200	6,200	6,184
		Senior Subordinated Term Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,598
		Convertible Preferred Stock (2,316 shares)(F) (H)		2,316	2,613
				10,549	10,826
FedCap Partners, LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units)(H) (L)		1,634	1,996
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Senior Subordinated Term Debt (12.0%, Due 3/2020)(D)	6,000	6,000	6,000
		Common Stock (100,000 shares)(F) (H)		1,000	1,419
				7,000	7,419
RBC Acquisition Corp.	Healthcare, education	Line of Credit, $0	4,000	4,000	4,000

	and childcare	available (9.0%, Due 12/2015)(F)			
		Mortgage Note (9.5%, Due 12/2015)(F) (G)	6,891	6,891	6,891
		Senior Term Debt (12.0%, Due 12/2015)(C) (F)	11,392	11,392	11,392
		Senior Subordinated Term Debt (12.5%, Due 12/2015)(F)(G)	6,000	6,000	6,000
		Preferred Stock (4,999,000 shares)(F) (H) (K)		4,999	
		Common Stock (2,000,000 shares)(F) (H)		370	
				33,652	28,283
Total Affiliate Investments (represented 17.0% of total investments at fair value)				**$ 60,275**	**$ 55,747**
CONTROL INVESTMENTS(P):					
Defiance Integrated Technologies, Inc.	Automobile	Senior Subordinated Term Debt (11.0%, Due 4/2016)(C) (F)	$ 6,465	$ 6,465	$ 6,465
		Common Stock (15,500 shares)(F) (H)		1	7,855
				6,466	14,320

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
CONTROL INVESTMENTS[P] (Continued):					
Lindmark Acquisition, LLC	Broadcasting and entertainment	Senior Subordinated Term Debt, $3,120 available (25.0%, Due Upon Demand)[F] [G]	$	$	$
		Success Fee on Senior Subordinated Term Debt[F]			84
		Common Stock (100 shares)[F] [H]		317	
				317	84
Sunshine Media Holdings	Printing and publishing	Line of Credit, $400 available (4.8%, Due 5/2016)[D] [I]	1,600	1,600	400
		Senior Term Debt (4.8%, Due 5/2016)[D] [I]	16,948	16,948	4,237
		Senior Term Debt (5.5%, Due 5/2016)[C] [D] [I]	10,700	10,700	2,729
		Preferred Stock (15,270 shares)[F] [H] [K]		5,275	
		Common Stock (1,867 shares)[F] [H]		740	
		Common Stock Warrants (72 shares)[F] [H]			
				35,263	7,366
Total Control Investments (represented 6.7% of total investments at fair value)				**$ 42,046**	**$ 21,770**
TOTAL INVESTMENTS				**$ 385,860**	**$ 326,624**

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $268.6 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5 *Borrowings.* Additionally, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of December 31, 2014.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day London Interbank Offered Rate (LIBOR)) in effect at December 31, 2014, and due dates represent the contractual maturity date. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rates. Senior debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) Last out tranche (LOT) of debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after all other debt holders.

(D) Fair value was based on an internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. (SPSE).

(E) Fair value was based on the indicative bid price on or near December 31, 2014, offered by the respective syndication agent s trading desk.

(F) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company s securities in order of their relative priority in the capital structure.

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New or follow-on proprietary investment valued at cost, as it was determined that the price paid during the three months ended December 31, 2014 best represents fair value as of December 31, 2014.

(K) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(L) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

(M) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May, 9, 2024 or two years after all outstanding leverage has matured.

(N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

(O) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities.

(P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

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

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[P]:					
Proprietary Investments:					
AG Transportation Holdings, LLC	Cargo transport	Senior Subordinated Term Debt (13.3%, Due 3/2018)[D]	$ 13,000	$ 12,899	$ 12,838
		Member Profit Participation (18.0% ownership)[F] [H]		1,000	
		Profit Participation Warrants (7.0% ownership)[F] [H]		244	
				14,143	12,838
Allison Publications, LLC	Printing and publishing	Line of Credit, $0 available (8.3%, Due 9/2016)[D]	600	600	598
		Senior Term Debt (8.3%, Due 9/2018)[D]	2,875	2,875	2,864
		Senior Term Debt (13.0%, Due 9/2018)[C] [D]	5,400	5,400	5,380
				8,875	8,842
Alloy Die Casting Co.	Diversified/conglomerate manufacturing	Senior Term Debt (13.5%, Due 10/2018)[D]	5,235	5,235	5,228
		Preferred Stock (1,742 units)[F] [H]		1,742	1,122
		Common Stock (270 units)[F] [H]		18	
				6,995	6,350
Behrens Manufacturing, LLC	Diversified/conglomerate manufacturing	Senior Term Debt (13.0%, Due 12/2018)[D]	4,275	4,275	4,280
		Preferred Stock (1,253 shares)[F] [H] [M]		1,253	1,150

				5,528	5,430
Chinese Yellow Pages Company	Printing and publishing	Line of Credit, $0 available (7.3%, Due 2/2015)(D)	108	108	95
Francis Drilling Fluids, Ltd.	Oil and gas	Senior Subordinated Term Debt (12.4%, Due 11/2017)(D)	15,000	15,000	14,550
		Senior Subordinated Term Debt (11.3%, Due 11/2017)(J)	7,000	7,000	7,000
		Preferred Equity Units (999 units)(F) (H)		983	1,081
		Common Equity Units (999 units)(F) H)		1	206
				22,984	22,837
Funko, LLC	Personal and non-durable consumer products	Senior Subordinated Term Debt (12.0% and 1.5% PIK, Due 5/2019)(D)	7,645	7,645	7,817
		Preferred Equity Units (1,305 units)(F) (H)		1,305	5,691
				8,950	13,508
GFRC Holdings, LLC	Buildings and real estate	Line of Credit, $130 available (10.5%, Due 12/2014)(D)	270	270	149
		Senior Term Debt (10.5%, Due 6/2016)(D)	4,924	4,924	2,708
		Senior Subordinated Term Debt (13.0%, Due 6/2016)(D)	6,598	6,598	3,761
				11,792	6,618
Heartland Communications Group	Broadcasting and entertainment	Line of Credit, $0 available (5.0%, Due 9/2014)(D) (G) (I)	100	97	65
		Line of Credit, $0 available (10.0%, Due 9/2014)(D) (G) (I)	100	93	65
		Senior Term Debt (5.0%, Due 9/2014)(D) (G) (I)	4,342	4,196	809
		Common Stock Warrants (8.8% ownership)(F) (H)		66	
				4,452	939
J.America, Inc.	Personal and non-durable consumer products	Senior Subordinated Term Debt (10.4%, Due	7,500	7,500	7,350

		12/2019)(D)(G)			
		Senior Subordinated Term Debt (11.5%, Due 12/2019)(D)(G)	9,500	9,500	9,298
				17,000	16,648
Leeds Novamark Capital I, L.P.	Private equity fund healthcare, education and childcare	Limited Partnership Interest (3.5% ownership, $2,827 uncalled capital commitment)(H) (O)		173	36
Legend Communications of Wyoming, LLC	Broadcasting and entertainment	Senior Term Debt (12.0%, Due 1/2014)(D)	6,699	6,699	3,757

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(P) (Continued):					
Meridian Rack & Pinion, Inc.	Automobile	Senior Term Debt (13.5%, Due 12/2018)(D)	$ 4,140	$ 4,140	$ 4,135
		Convertible Preferred Stock (1,449 shares)(F) (H)		1,449	1,549
				5,589	5,684
North American Aircraft Services, LLC	Aerospace and defense	Senior Subordinated Term Debt (12.5%, Due 8/2016)(F) (L)	2,115	2,115	2,115
		Success Fee on Senior Subordinated Term Debt(F) (L)			639
		Common Stock Warrants (35,000 shares)(F) (H) (L)		350	1,928
				2,465	4,682
Precision Acquisition Group Holdings, Inc.	Machinery	Equipment Note (9.0%, Due 3/2015)(D)	1,000	1,000	881
		Senior Term Debt (9.0%, Due 3/2015)(D)	4,125	4,125	485
		Senior Term Debt (9.0%, Due 3/2015)(C) (D)	4,053	4,053	457
				9,178	1,823
Saunders & Associates	Electronics	Line of Credit, $0 available (11.3%, Due 5/2013)(D)	917	917	413
		Senior Term Debt (11.3%, Due 5/2013)(D)	8,947	8,947	4,026
				9,864	4,439
Southern Petroleum Laboratories, Inc.	Oil and gas	Senior Subordinated Term Debt (11.5%, Due 2/2020)(J)	8,000	8,000	8,000

		Common Stock (100 shares)(H) (J)		750	750
				8,750	8,750
Sunburst Media - Louisiana, LLC	Broadcasting and entertainment	Senior Term Debt (8.5%, Due 2/2016)(F) (G)	6,026	6,026	1,600
WadeCo Specialties, Inc.	Oil and gas	Line of Credit, $526 available (8.0%, Due 3/2015)(D)	1,474	1,474	1,452
		Senior Term Debt (8.0%, Due 3/2019)(D)	4,500	4,500	4,433
		Senior Subordinated Term Debt (12.0%, Due 3/2019)(D)	4,500	4,500	4,421
		Convertible Preferred Stock (1,000 shares)(F) (H)		250	454
				10,724	10,760
Westland Technologies, Inc.	Diversified/conglomerate manufacturing	Senior Term Debt (7.5%, Due 4/2016)(D)	50	50	46
		Senior Term Debt (12.5%, Due 4/2016)(D)	4,000	4,000	3,699
		Common Stock (58,333 shares)(H)		408	58
				4,458	3,803
Subtotal Proprietary Investments				**$ 164,753**	**$ 139,439**
Syndicated Investments:					
Ameriqual Group, LLC	Beverage, food and tobacco	Senior Term Debt (9.0% and 1.5% PIK, Due 3/2016)(E)	$ 7,335	$ 7,283	$ 6,235
Ardent Medical Services, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (11.0%, Due 1/2019)(E)	7,143	7,135	7,224
Autoparts Holdings Limited	Automobile	Senior Term Debt (10.5%, Due 1/2018)(E)	833	830	800
Blue Coat Systems, Inc.	Electronics	Senior Subordinated Term Debt (9.5%, Due 6/2020)(E)	3,000	2,974	3,038
Envision Acquisition Company, LLC	Healthcare, education and childcare	Senior Subordinated Term Debt (9.8%, Due 11/2021)(E)	2,500	2,454	2,500
First American Payment Systems, L.P.	Finance	Senior Subordinated Term Debt (10.8%, Due 4/2019)(E)	4,195	4,167	4,205

GTCR Valor Companies, Inc.	Electronics	Senior Subordinated Term Debt (9.5%, Due 11/2021)(E)	3,000	2,982	2,970
New Trident Holdcorp, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (10.3%, Due 7/2020)(E)	4,000	3,987	4,000
PLATO Learning, Inc.	Healthcare, education and childcare	Senior Subordinated Term Debt (11.3%, Due 5/2019)(E)	5,000	4,925	5,000

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[P] (Continued):					
RP Crown Parent, LLC	Electronics	Senior Subordinated Term Debt (11.3%, Due 12/2019)[E]	$ 2,000	$ 1,967	$ 1,898
Sensus USA, Inc.	Electronics	Senior Term Debt (8.5%, Due 5/2018)[E]	500	497	495
Targus Group International, Inc.	Textiles and leather	Senior Term Debt (11.0% and 1.0% PIK, Due 5/2016)[D]	9,034	8,956	8,171
The Active Network	Electronics	Senior Subordinated Term Debt (9.5%, Due 11/2021)[E]	1,000	995	1,000
Vision Solutions, Inc.	Electronics	Senior Term Debt (9.5%, Due 7/2017)[E]	11,000	10,953	10,972
Vitera Healthcare Solutions, LLC	Healthcare, education and childcare	Senior Subordinated Term Debt (9.3%, Due 11/2021)[E]	500	493	495
W3, Co.	Oil and Gas	Senior Subordinated Term Debt (9.3%, Due 9/2020)[E]	499	494	484
Subtotal - Syndicated Investments				**$ 61,092**	**$ 59,487**
Total Non-Control/Non-Affiliate Investments (represented 70.7% of total investments at fair value)				**$ 225,845**	**$ 198,926**
AFFILATE INVESTMENTS[Q] :					
Ashland Acquisition, LLC	Printing and publishing	Line of Credit, $1,500 available (12.0%, Due	$	$	$

		7/2016)(D) (G)			
		Senior Term Debt (12.0%, Due 7/2018)(D) (G)	7,000	7,000	7,053
		Preferred Equity Units (4,400 units)(F) (H)		440	206
		Common Equity Units (4,400 units)(F) (H)			
				7,440	7,259
Edge Adhesives Holdings, Inc.	Diversified/conglomerate manufacturing	Line of Credit, $230 available (12.5%, Due 8/2015)(D)	770	770	768
		Senior Term Debt (12.5%, Due 2/2019)(D)	6,200	6,200	6,208
		Senior Subordinated Term Debt (13.8%, Due 2/2019)(D)	1,600	1,600	1,604
		Senior Subordinated Term Debt (13.8%, Due 11/2014)(J)	585	585	585
		Convertible Preferred Stock (2,316 shares)(F) (H)		2,316	2,885
				11,471	12,050
FedCap Partners, LLC	Private equity fund aerospace and defense	Class A Membership Units (80 units)(H) (N)		1,718	2,238
Lignetics, Inc.	Diversified natural resources, precious metals and minerals	Senior Subordinated Term Debt (12.0%, Due 3/2020)(D)	6,000	6,000	6,007
		Common Stock (100,000 shares)(F) (H)		1,000	1,169
				7,000	7,176
RBC Acquisition Corp.	Healthcare, education and childcare	Line of Credit, $0 available (9.0%, Due 6/2014)(F)	4,000	4,000	4,000
		Mortgage Note (9.5%, Due 12/2014)(F) (G)	6,891	6,891	6,891
		Senior Term Debt (12.0%, Due 12/2014)(C) (F)	11,392	11,392	11,392
		Senior Subordinated Term Debt (12.5%, Due 12/2014)(F)(G)	6,000	6,000	6,000
		Preferred Stock (4,999,000 shares)(F)		4,999	

		(H) (M)			
		Common Stock (2,000,000 shares)(F) (H)		370	
				33,652	28,283
Total Affiliate Investments (represented 20.3% of total investments at fair value)				**$ 61,281**	**$ 57,006**
CONTROL INVESTMENTS(R):					
Defiance Integrated Technologies, Inc.	Automobile	Senior Subordinated Term Debt (11.0%, Due 4/2016)(C) (F)	$ 6,545	$ 6,545	$ 6,545
		Common Stock (15,500 shares)(F) (H)		1	6,461
				6,546	13,006
Lindmark Acquisition, LLC	Broadcasting and entertainment	Senior Subordinated Term Debt, $3,120 available (25.0%, Due Upon Demand)(F) (G)			
		Success Fee on Senior Subordinated Term Debt(F)			89
		Common Stock (100 shares)(F) (H)		317	
				317	89

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
CONTROL INVESTMENTS[(R)] (Continued):					
Midwest Metal Distribution, Inc.	Mining, steel, iron and non-precious metals	Senior Subordinated Term Debt (12.0%, Due 7/2015)[(F) (I)]	$ 18,281	$ 17,720	$ 4,455
		Preferred Stock (2,000 shares)[(F) (H) (M)]		2,175	
		Common Stock (501 shares)[(F) (H)]		138	
				20,033	4,455
Sunshine Media Holdings	Printing and publishing	Line of Credit, $400 available (4.8%, Due 5/2016)[(D) (I)]	1,600	1,600	424
		Senior Term Debt (4.8%, Due 5/2016)[(D) (I)]	16,948	16,948	4,491
		Senior Term Debt (5.5%, Due 5/2016)[(C) (D) (I)]	10,700	10,700	2,889
		Preferred Stock (15,270 shares)[(F) (H) (M)]		5,275	
		Common Stock (1,867 shares)[(F) (H)]		740	
		Common Stock Warrants (72 shares)[(F) (H)]			
				35,263	7,804
Total Control Investments (represented 9.0% of total investments at fair value)				**$ 62,159**	**$ 25,354**
TOTAL INVESTMENTS[(S)]				**$ 349,285**	**$ 281,286**

(A)

Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $222.0 million at fair value, are pledged as collateral to our Credit Facility, as described further in Note 5 *Borrowings.* Additionally, two of our investments (FedCap Partners, LLC and Leeds Novamark Capital I, L.P.) are considered non-qualifying assets under Section 55 of the 1940 Act as of September 30, 2014.

(B) Percentages represent cash interest rates (which are generally indexed off of the 30-day LIBOR) in effect at September 30, 2014, and due dates represent the contractual maturity date. If applicable, PIK interest rates are noted separately from the cash interest rates. Senior debt securities generally take the form of first priority liens on the assets of the underlying businesses.

(C) LOT of debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after all other debt holders.

(D) Fair value was based on an internal yield analysis or on estimates of value submitted by SPSE.

(E) Fair value was based on the indicative bid price on or near September 30, 2014, offered by the respective syndication agent s trading desk.

(F) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company s securities in order of their relative priority in the capital structure.

(G) Debt security has a fixed interest rate.

(H) Investment is non-income producing.

(I) Investment is on non-accrual status.

(J) New or follow-on proprietary investment valued at cost, as it was determined that the price paid during the three months ended September 30, 2014 best represents fair value as of September 30, 2014.

(K) Subsequent to September 30, 2014, the debt interest rates on Francis Drilling Fluids, Ltd. were decreased to approximately 11.9% and 10.8%, respectively, based on a leverage grid.

(L) Subsequent to September 30, 2014, North American Aircraft Services, LLC debt and equity investment cost basis were paid off, resulting in a realized gain of $1.6 million and success fees of $0.6 million. As such, the fair value as of September 30, 2014 was based upon the payoff amount.

(M) Aggregates all shares of such class of stock owned without regard to specific series owned within such class, some series of which may or may not be voting shares.

(N) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.

(O) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May, 9, 2024 or two years after all outstanding leverage has matured.

(P) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

(Q) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between 5.0% and 25.0% of the issued and outstanding voting securities.

(R) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

(S) Cumulative gross unrealized depreciation for federal income tax purposes is $84.3 million; cumulative gross unrealized appreciation for federal income tax purposes is $15.6 million. Cumulative net unrealized depreciation is $68.7 million, based on a tax cost of $349.9 million.

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

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GLADSTONE CAPITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

Gladstone Capital Corporation was incorporated under the General Corporation Law of the State of Maryland on May 30, 2001, and completed an initial public offering on August 23, 2001. The terms the Company, we, our, and us all refer to Gladstone Capital Corporation and its consolidated subsidiaries. We are an externally-managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, we have elected to be treated for federal income tax purposes as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). We were established for the purpose of investing in debt and equity securities of established private businesses in the United States (U.S.). Our investment objectives are to (1) achieve and grow current income by investing in debt securities of established small and medium-sized businesses in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation of the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell them for capital gains.

Gladstone Business Loan, LLC (Business Loan), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio of investments in connection with our revolving line of credit.

Gladstone Financial Corporation (Gladstone Financial), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial acquired this license in February 2007. The license enables us to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of December 31 and September 30, 2014, we held no investments through Gladstone Financial.

The financial statements of the foregoing two subsidiaries are consolidated with ours. We also have significant subsidiaries whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by our investment advisor, Gladstone Management Corporation (the Adviser), a Delaware corporation and a Securities and Exchange Commission (the SEC) registered investment adviser and an affiliate of ours, pursuant to an investment advisory and management agreement (the Advisory Agreement). Administrative services are provided by our affiliate, Gladstone Administration, LLC (the Administrator), a Delaware limited liability company, pursuant to an administration agreement (the Administration Agreement).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, we have omitted certain disclosures accompanying annual financial statements prepared in accordance with GAAP. The accompanying *Condensed Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Under Article 6 of Regulation S-X, and the authoritative accounting guidance provided by the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are not permitted to consolidate any portfolio company investments, including those in which we have a controlling interest. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three months ended December 31, 2014, are not necessarily indicative of results that ultimately may be achieved for the fiscal year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, as filed with the SEC on November 12, 2014 and amended on December 29, 2014.

Our accompanying fiscal year-end *Condensed Consolidated Statement of Assets and Liabilities* was derived from audited financial statements, but does not include all disclosures required by GAAP.

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Reclassifications

Certain amounts in the prior year s financial statements have been reclassified to conform to the presentation for the three months ended December 31, 2014, with no effect on our financial condition, results of operations or cash flows.

Revisions

Certain amounts in the prior year s financial statements have been revised to correct the net presentation of certain fees in our results of operations. The Adviser services, administers and collects on the loans held by Business Loan, in return for which the Adviser receives a 1.5% annual fee from Business Loan. All such loan servicing fees are voluntarily and irrevocably credited back to us by the Advisor. Previously, we presented the loan servicing fee on a net basis, which is zero, because it is 100.0% credited back to us. We have revised our fee presentation related to these loan servicing fees to reflect the gross fee and related gross unconditional, non-contractual and irrevocable credit amounts for the three month period ended December 31, 2013. Management evaluated this error in presentation and concluded it was not material to the previously issued financial statements for the three months ended December 31, 2013. The impact of the revision is shown in the table below:

	Three Months Ended December 31, 2013	
	As Previously Reported	As Revised
Expenses		
Aggregate expenses	$ 4,860	$ 4,860
Loan servicing fee		884
Expenses before credits from Adviser	**4,860**	**5,744**
Credit to base management fee loan servicing fee		(884)
Credits to fees from Adviser - other	(878)	(878)
Total expenses, net of credits	**$ 3,982**	**$ 3,982**

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and amortized cost basis of the investment, without regard to unrealized depreciation or appreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized depreciation or appreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized depreciation or appreciation when gains or losses are realized.

Board Responsibility

In accordance with the 1940 Act, our board of directors (our Board of Directors) has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on our established investment valuation policy (the Policy). Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the valuation officer (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the valuation officer, uses the Policy and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently.

Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments. Currently, the sole third-party service provider, Standard & Poor s Securities Evaluation, Inc. (SPSE), provides estimates of fair value on our proprietary debt investments.

The Valuation Team generally assigns SPSE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimates of value on a specific debt investment may significantly differ from SPSE s. When this occurs, our Board of Directors reviews whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended value is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended valuation.

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Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company s ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization (EBITDA)); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries; and other pertinent factors. The Valuation Team generally references industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then allocates the TEV to the portfolio company s securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses the DCF to calculate the TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

Yield Analysis The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team s own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

Market Quotes For our syndicate investments for which a limited market exists, fair value is generally based on readily available and reliable market quotations which are corroborated by the Valuation Team (generally by using the yield analysis explained above). In addition, the Valuation Team assesses trading activity for similar syndicated investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price (IBP) in the bid-to-ask price range obtained from the respective originating syndication agent s trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy.

Investments in Funds For equity investments in other funds, the Valuation Team generally determines the fair value of our uninvested capital at par value and of our invested capital at the net asset value (NAV) provided by the fund. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on proprietary debt and equity investments made during the most recently completed quarter are generally valued at original cost basis.

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

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Refer to Note 3 *Investments* for additional information regarding fair value measurements and our application of ASC 820.

Interest Income Recognition

Interest income, adjusted for amortization of premiums, acquisition costs, and amendment fees and the accretion of original issue discounts (OID), is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current, or, due to a restructuring, the interest income is deemed to be collectible. As of December 31, 2014, two portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $33.6 million, or 9.4% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $8.3 million, or 2.8% of the fair value of all debt investments in our portfolio. As of September 30, 2014, three portfolio companies were on non-accrual status with an aggregate debt cost basis of approximately $51.4 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate debt fair value of approximately $13.2 million, or 5.2% of the fair value of all debt investments in our portfolio.

We currently hold, and we expect to hold in the future, some loans in our portfolio that contain OID or paid-in-kind (PIK) provisions. We recognize OID for loans originally issued at discounts and recognize the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Therefore, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain our ability to be taxed as a RIC, we may need to pay out both of our OID and PIK non-cash income amounts in the form of distributions, even though we have not yet collected the cash on either.

As of December 31 and September 30, 2014, we had 20 and 17 original OID loans, respectively, primarily from the syndicated investments in our portfolio. We recorded OID income of $63 and $61 for the three months ended December 31, 2014 and 2013, respectively. The unamortized balance of OID investments as of December 31 and September 30, 2014, totaled $1.0 million and $0.6 million, respectively. As of December 31 and September 30, 2014, we had two and three investments, respectively, which had a PIK interest component. We recorded PIK income of $67 and $92 for the three months ended December 31, 2014 and 2013, respectively. We collected $0.2 million and $0 PIK interest in cash during each of the three months ended December 31, 2014 and 2013, respectively.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company, typically from an exit or sale. We received an aggregate of $0.9 million in success fees during the three months ended December 31, 2014, which resulted from $0.6 million related to the early payoff of North American Aircraft Services, LLC at a realized gain and $0.3 million prepayment of success fees by Francis Drilling Fluids, LLC (FDF). We received $0.2 million in success fees during the three months ended December 31, 2013, which related to our sale of substantially all of the assets in Lindmark Acquisition, LLC and the ensuing pay down of our debt investments at par in September 2013.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash. During the three months ended December 31, 2014, we recorded $0.1 million of dividend income, net of return of capital cost basis adjustments, which resulted from our preferred equity investment in FDF. We did not record any dividend income during the three months ended December 31, 2013.

Success fees and dividend income are both recorded in other income in our accompanying *Condensed Consolidated Statements of Operations.*

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update 2014 15 (ASU 2014-15), *Presentation of Financial Statements Going Concern (Subtopic 205 40): Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern*. ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. We are currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for the annual period ending after December 31, 2016 and for annual periods and interim periods thereafter, with early adoption permitted.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. We are currently assessing the impact of ASU 2014-09 and anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2014-09 is effective for annual reporting periods that begin after December 15, 2016 and interim periods within those years. Early adoption is not permitted.

NOTE 3. INVESTMENTS

Fair Value

In accordance with ASC 820, our investments fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of December 31 and September 30, 2014, all of our investments were valued using Level 3 inputs and during the three months ended December 31, 2014 and 2013, there were no investments transferred into or out of Levels 1, 2 or 3.

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The following table presents our investments carried at fair value as of December 31 and September 30, 2014, by caption on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and by security type, all of which are valued using Level 3 inputs:

	Total Recurring Fair Value Measurements Reported in *Condensed Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	December 31, 2014	**September 30, 2014**
Non-Control/Non-Affiliate Investments		
Senior debt	**$ 112,356**	$ 74,299
Senior subordinated debt	**118,047**	110,601
Preferred equity	**16,124**	10,593
Common equity/equivalents	**2,580**	3,433
Total Non-Control/Non-Affiliate Investments	**$ 249,107**	$ 198,926
Affiliate Investments		
Senior debt	**$ 35,916**	$ 36,311
Senior subordinated debt	**13,598**	14,197
Preferred equity	**2,613**	2,885
Common equity/equivalents	**3,620**	3,613
Total Affiliate Investments	**$ 55,747**	$ 57,006
Control Investments		
Senior debt	**$ 7,366**	$ 7,804
Senior subordinated debt	**6,549**	11,089
Preferred equity		
Common equity/equivalents	**7,855**	6,461
Total Control Investments	**$ 21,770**	$ 25,354
Total Investments at Fair Value	**$ 326,624**	$ 281,286

In accordance with the FASB s ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Reporting Standards (IFRS),* (ASU 2011-04), the following table provides quantitative information about our Level 3 fair value measurements of our investments as of December 31 and September 30, 2014. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt related calculations and on the cost basis for all equity-related calculations for the particular input.

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Quantitative Information about Level 3 Fair Value Measurements

					Range / Weighted Average as of	
	December 31, 2014	**September 30, 2014**	**Valuation Technique/ Methodology**	**Unobservable Input**	**December 31, 2014**	**September 30, 2014**
Senior debt[(A)]	**$ 76,232**	$ 54,410	Yield Analysis	Discount Rate	6.5% - 18.4% / 11.3%	8.4% - 18.8% / 13.4%
	50,198	45,502	TEV	EBITDA multiple	4.0x - 11.9x / 6.6x	4.0x - 7.6x / 6.1x
				EBITDA	$135 - $4,400 / $1,248	$247 - $3,700 / $1,839
				Revenue multiple	0.6x - 0.8x / 0.7x	0.6x - 0.8x / 0.7x
				Revenue	$2,452 - $5,419 / $4,220	$2,416 - $5,327 / $4,151
	29,208	18,502	Market Quotes	IBP	83.0% - 97.8% / 89.7%	85.0% - 99.8% / 94.1%
Senior subordinated debt[(B)]	**81,200**	79,470	Yield Analysis	Discount Rate	9.3% - 13.8% / 12.4%	11.3% - 13.8% / 12.5%
	43,381	32,813	Market Quotes	IBP	83.0% - 99.5% / 97.0%	94.9% - 101.3% / 99.9%
	13,613	23,604	TEV	EBITDA multiple	4.0x - 8.6x / 5.6x	4.3x - 7.6x / 6.3x
				EBITDA	$600 - 4,790 / $2,159	$1,100 - $6,219 / $3,403
Preferred and common equity / equivalents [(C)]	**30,747**	24,711	TEV	EBITDA multiple	3.8x - 8.6x / 6.2x	4.3x - 7.6x / 6.1x
				EBITDA	$1,038 - $27,865 / $4,294	$998 - $15,685 / $4,135
	2,045	2,274	Investments in Funds			
Total Investments, at Fair Value	**$ 326,624**	$ 281,286				

(A) December 31, 2014 includes three new proprietary debt investments for $28.8 million, which were valued at cost.

(B)

December 31, 2014 includes two follow-on proprietary debt investments for $9.5 million and September 30, 2014 includes one new proprietary debt investment for $8.0 million and two follow-on debt investments for a combined $7.6 million, which were valued at cost, and one proprietary investment, which was valued at payoff amounts totaling $2.8 million.

(C) December 31, 2014 includes two new proprietary equity investments for $2.8 million, which were valued at cost. September 30, 2014 includes one new proprietary equity investment for $0.8 million, which was valued at cost, and one proprietary equity investment, which was valued at payoff amount totaling $1.9 million.

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in market yields, discounts rates, leverage, EBITDA or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of our investments. Generally, an increase or decrease in market yields, discount rates or leverage or a decrease in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a corresponding decrease or increase, respectively, in the fair value of certain of our investments.

The following tables provide the changes in fair value, broken out by security type, during the three months ended December 31, 2014 and 2013 for all investments for which we determine fair value using unobservable (Level 3) factors.

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Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

FISCAL YEAR TO DATE 2015: Three Months Ended December 31, 2014	Senior Debt	Senior Subordinated Debt	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of September 30, 2014	**$ 118,414**	**$ 135,887**	**$ 13,478**	**$ 13,507**	**$ 281,286**
Total gains (losses):					
Net realized (loss) gain[(B)]		(12,146)	(2,175)	1,440	(12,881)
Net unrealized (depreciation) appreciation[(C)]	(3,430)	(6,417)	3,794	1,454	(4,599)
Reversal of prior period net depreciation (appreciation) on realization[(C)]		12,627	2,175	(1,440)	13,362
New investments, repayments and settlements:[(D)]					
Issuances/originations	41,611	17,019	1,799	1,106	61,535
Settlements/repayments	(957)	(2,641)	(334)	(434)	(4,366)
Sales		(6,135)		(1,578)	(7,713)
Fair Value as of December 31, 2014	**$ 155,638**	**$ 138,194**	**$ 18,737**	**$ 14,055**	**$ 326,624**

FISCAL YEAR TO DATE 2014: Three Months Ended December 31, 2013	Senior Debt	Senior Subordinated Debt[(A)]	Preferred Equity	Common Equity/ Equivalents	Total
Fair Value as of September 30, 2013	**$ 118,134**	**$ 127,236**	**$ 4,626**	**$ 6,882**	**$ 256,878**
Total (losses) gains:					
Net realized (loss)[(B)]	(10,732)				(10,732)
Net unrealized appreciation[(C)]	1,637	1,591	438	3,070	6,736
Reversal of prior period net depreciation (appreciation) on realization[(C)]	10,263	(122)			10,141
New investments, repayments and settlements:[(D)]					
Issuances/originations	14,214	26,029	4,673	18	44,934
Settlements/repayments	(5,004)	(19,668)		(79)	(24,751)
Fair Value as of December 31, 2013	**$ 128,512**	**$ 135,066**	**$ 9,737**	**$ 9,891**	**$ 283,206**

(A) Includes one junior subordinated debt investment with a fair value of $0.6 million as of December 31, 2013. During the quarter ended March 31, 2014, we exited our one junior subordinated debt investment at par.

(B) Included in net realized (loss) gain on our accompanying *Condensed Consolidated Statements of Operations* for the three months ended December 31, 2014 and 2013.

(C) Included in net unrealized (depreciation) appreciation of investments on our accompanying *Condensed Consolidated Statements of Operations* for the three months ended December 31, 2014 and 2013.

(D) Includes increases in the cost basis of investments resulting from new portfolio investments, the amortization of discounts, and PIK, as well as decreases in the costs basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Investment Activities

Proprietary Investments

As of December 31 and September 30, 2014, we held 30 and 29 proprietary investments with an aggregate fair value of $254.0 million and $221.8 million, or 77.8% and 78.9% of the total aggregate portfolio at fair value, respectively. During the three months ended December 31, 2014, we invested in three new proprietary investments totaling $31.6 million; sold one proprietary investment for net proceeds of $6.1 million, resulting in a realized loss of $14.5 million; and had one proprietary investment pay off early at $2.5 million of cost basis and a realized gain of $1.6 million, for which we received success fees of $0.6 million. Additionally, during the three months ended December 31, 2014, we funded a combined $13.4 million to existing proprietary portfolio companies through revolver draws and follow on investments, while scheduled and unscheduled principal repayments were $1.7 million in the aggregate from existing proprietary portfolio companies (exclusive of the aforementioned $2.5 million in early payoffs). The following significant proprietary investment transactions occurred during the three months ended December 31, 2014:

B+T Holdings Inc. In December 2014, we invested $8.4 million in B+T Holdings Inc. (B+T), through a combination of senior term debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. This was a co-investment with one of our affiliated funds, Gladstone Investment Corporation (Gladstone Investment). Gladstone Investment invested an additional $19.6 million under the same terms as us.

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Midwest Metal Distribution, Inc. In December 2014, we sold our investment in Midwest Metal Distribution, Inc. (Midwest Metal) for net proceeds of $6.1 million, which resulted in a realized loss of $14.5 million recorded in the three months ended December 31, 2014. Midwest Metal had been on non-accrual status at the time of the sale.

Circuitronics, Inc. In December 2014, we invested $15.0 million in Circuitronics, Inc. (Circuitronics) through a combination of senior term debt and equity. Circuitronics, headquartered in Dallas, Texas, is a premier electronic manufacturing services company focused on the design and production of specialized printed circuit board assemblies and related services.

Vision Government Solutions, Inc. In December 2014, we invested $11.0 million in Vision Government Solutions, Inc. (Vision) through senior term debt. Vision, headquartered in Northboro, Massachusetts, is a leading provider of land parcel management software technology and appraisal services to local government organizations, enabling efficient assessment, billing, collections, mapping, and permitting.

Syndicated Investments

We held a total of 19 syndicated investments with an aggregate fair value of $72.6 million, or 22.2% of our total investment portfolio at fair value, as of December 31, 2014, as compared to 16 syndicated investments with an aggregate fair value of $59.5 million, or 21.1% of our total investment portfolio at fair value, as of September 30, 2014. During the three months ended December 31, 2014, we invested in three new syndicated investments for a combined $12.5 million. Additionally, we funded an additional $4.0 million in Vitera Healthcare Solutions, LLC, an existing syndicated investment, during the three months ended December 31, 2014.

Investment Concentrations

As of December 31, 2014, our investment portfolio consisted of investments in 49 companies located in 21 states across 19 different industries, with an aggregate fair value of $326.6 million. The five largest investments at fair value as of December 31, 2014, totaled $106.0 million, or 32.5% of our total investment portfolio, as compared to the five largest investments at fair value as of September 30, 2014, which totaled $94.3 million, or 33.5% of our total investment portfolio. As of December 31, 2014, our average investment by obligor was $7.9 million at cost, compared to $7.8 million at cost as of September 30, 2014. The following table outlines our investments by security type as of December 31 and September 30, 2014:

	December 31, 2014				September 30, 2014			
	Cost	Percentage of Total Investments	Fair Value	Percentage of Total Investments	Cost	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Senior debt	**$ 208,678**	**54.1%**	**$ 155,638**	**47.7%**	$ 168,023	48.1%	$ 118,414	42.1%
Senior subordinated debt	**147,879**	**38.3**	**138,194**	**42.3**	151,782	43.5	135,887	48.3
Total Debt Investments	**356,557**	**92.4**	**293,832**	**90.0**	319,805	91.6	254,301	90.4

Preferred equity	**20,785**	**5.4**	**18,737**	**5.7**	21,496	6.1	13,478	4.8
Common equity/equivalents	**8,518**	**2.2**	**14,055**	**4.3**	7,984	2.3	13,507	4.8
Total Equity Investments	**29,303**	**7.6**	**32,792**	**10.0**	29,480	8.4	26,985	9.6
Total Investments	**$ 385,860**	**100.0%**	**$ 326,624**	**100.0%**	$ 349,285	100.0%	$ 281,286	100.0%

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Investments at fair value consisted of the following industry classifications as of December 31 and September 30, 2014:

Industry Classification	December 31, 2014 Fair Value	December 31, 2014 Percentage of Total Investments	September 30, 2014 Fair Value	September 30, 2014 Percentage of Total Investments
Oil and gas	**$ 55,219**	**16.9%**	$ 42,831	15.2%
Healthcare, education and childcare	**46,474**	**14.2**	47,538	16.9
Diversified/conglomerate manufacturing	**40,366**	**12.4**	27,634	9.8
Personal and non-durable consumer products	**35,113**	**10.8**	30,157	10.7
Electronics	**26,404**	**8.1**	24,811	8.8
Printing and publishing	**23,485**	**7.2**	23,999	8.5
Automobile	**20,397**	**6.2**	19,489	6.9
Cargo transportation	**12,805**	**3.9**	12,838	4.6
Diversified/conglomerate services	**10,000**	**3.1**		
Finance	**8,920**	**2.7**	4,205	1.5
Telecommunications	**8,099**	**2.5**		
Textiles and leather	**7,496**	**2.3**	8,171	2.9
Diversified natural resources, precious metals and minerals	**7,419**	**2.3**	7,176	2.6
Broadcast and entertainment	**6,362**	**1.9**	6,386	2.3
Beverage, food and tobacco	**6,243**	**1.9**	6,235	2.2
Other, < 2.0% (A)	**6,194**	**1.9**	6,279	2.2
Buildings and real estate	**3,632**	**1.1**	6,617	2.4
Aerospace and defense	**1,996**	**0.6**	6,920	2.5
Total Investments	**$ 326,624**	**100.0%**	$ 281,286	100.0%

(A) No industry within this category exceeds 2.0% of the total fair value as of the respective periods.

Investments at fair value were included in the following geographic regions of the U.S. as of December 31 and September 30, 2014:

Geographic Region	December 31, 2014 Fair Value	December 31, 2014 Percentage of Total Investments	September 30, 2014 Fair Value	September 30, 2014 Percentage of Total Investments
South	**$ 121,022**	**37.0%**	$ 92,355	32.8%
Midwest	**111,131**	**34.0**	107,387	38.2
West	**83,787**	**25.7**	80,744	28.7
Northeast	**10,684**	**3.3**	800	0.3

Total Investments	**$ 326,624**	**100.0%**	$ 281,286	100.0%

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

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Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of December 31, 2014:

For the Fiscal Years Ending September 30:	**Amount**
For the remaining nine months ending September 30:	
2015	$ 43,666
2016	93,777
2017	12,431
2018	31,789
2019	64,037
Thereafter	111,989
Total contractual repayments	**$ 357,689**
Equity investments	29,303
Adjustments to cost basis on debt investments	(1,132)
Total Cost Basis of Investments Held at December 31, 2014:	**$ 385,860**

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs that we have incurred on behalf of portfolio companies and are included in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. As of December 31 and September 30, 2014, we had gross receivables from portfolio companies of $0.3 million and $0.4 million, respectively. The allowance for uncollectible receivables was $0.1 million as of December 31 and September 30, 2014, which is reflected in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. In addition, as of December 31 and September 30, 2014, we recorded an allowance for uncollectible interest receivables of $0.9 million and $0.4 million, respectively, which is reflected in interest receivable on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined based upon management s judgment that the portfolio company is unable to pay its obligations.

NOTE 4. RELATED PARTY TRANSACTIONS

Investment Advisory and Management Agreement

In accordance with the Advisory Agreement, we pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee, loan servicing fee and an incentive fee. The Adviser is controlled by our chairman and chief executive officer. On July 15, 2014, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, approved the annual renewal of the Advisory Agreement through August 31, 2015.

The following table summarizes the base management fees, loan servicing fees, incentive fees and associated fee credits for the three months ended December 31, 2014 and 2013, reflected in our accompanying *Condensed*

Consolidated Statements of Operations:

	Three Months Ended December 31,	
	2014	**2013**
Average total assets subject to base management fee(A)	**$ 319,400**	$ 291,200
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee(B)	**$ 1,597**	$ 1,456
Portfolio company fee credit(C)	**(375)**	(333)
Senior syndicated loan fee waiver(D)	**(37)**	(30)
Net Base Management Fee	**$ 1,185**	$ 1,093
Loan servicing fee(B)	**832**	884
Credits to base management fee - loan servicing fee(B)	**(832)**	(884)
Net Loan Servicing Fee	**$**	$
Incentive fee(B)	**922**	974
Incentive fee credit(E)		(515)
Net Incentive Fee	**$ 922**	$ 459
Portfolio company fee credit(C)	**(375)**	(333)
Senior syndicated loan fee waiver(D)	**(37)**	(30)
Incentive fee credit(E)		(515)
Credit to Fees From Adviser - other(B)	**$ (412)**	$ (878)

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

(B) Reflected, on a gross basis, as a line item on our accompanying *Condensed Consolidated Statements of Operations*.

(C) As a BDC, we make available significant managerial assistance to our portfolio companies through the personnel of the Adviser. The Adviser may also provide other services to our portfolio companies under other agreements and may receive fees for services other than managerial assistance. We credit 100.0% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, primarily for valuation of portfolio companies, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser.

(D) Our Board of Directors accepted an unconditional and irrevocable voluntary waiver from the Adviser to reduce the annual 2.0% base management fee on senior syndicated loan participations to 0.5%, to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations, for the three months ended December 31, 2014 and 2013.

(E) Our Board of Directors accepted an unconditional, non-contractual and irrevocable voluntary credit from the Adviser to reduce the income-based incentive fee to the extent net investment income did not 100.0% cover distributions to common stockholders for the three months ended December 31, 2013. No such credit from the Adviser was granted for the three months ended December 31, 2014, due to a change in the assessment of distribution coverage of net investment income to a fiscal year end basis rather than a quarterly basis.

Base Management Fee

The base management fee is computed and payable quarterly and is assessed at an annual rate of 2.0%, computed on the basis of the value of our average total assets at the end of the two most recently-completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. The base management fee is then adjusted by certain credits from the Adviser as explained in the notes to the table above.

Additionally, the Adviser services, administers and collects on the loans held by Business Loan, in return for which our Adviser receives a 1.5% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our revolving line of credit. All loan servicing fees are voluntarily and irrevocably credited back to us by the Adviser. Overall, the base management fee due to the Adviser (including any loan servicing fees) cannot exceed 2.0% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year.

Incentive Fee

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

no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);

100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and

20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that will be determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20.0% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the entire portfolio s aggregate net unrealized capital depreciation, if any, as of the date of the calculation. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since our inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since our inception. The entire portfolio s aggregate net unrealized capital depreciation, if any, equals the sum of the difference, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable fiscal year, the amount of capital gains that serves as the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less the entire portfolio s aggregate net unrealized capital depreciation, if any. If this number is positive at the end of such fiscal year, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded since our inception through December 31, 2014, as cumulative net unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains-based incentive fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded since our inception through December 31, 2014.

Administration Agreement

The Administration Agreement provides for payments equal to our portion of the Administrator s expenses incurred while performing services to us, which are primarily rent and the salaries, benefits and expenses of the Administrator s employees, including, but not limited to, our chief financial officer and treasurer, chief compliance officer, and general counsel and secretary (who also serves as the Administrator s president). Prior to July 1, 2014, our portion of the expenses were generally derived by multiplying that portion of the Administrator s expenses allocable to all funds managed by the Adviser by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser.

Effective July 1, 2014, our portion of the Administrator s expenses are generally derived by multiplying the Administrator s total expenses by the approximate percentage of time during the current quarter the Administrator s employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator under contractual agreements. These administrative fees are accrued at the end of the quarter when the services are performed and recorded on our accompanying *Consolidated Statements of Operations* and generally paid the following quarter to the Administrator. On July 15, 2014, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2015.

Related Party Fees Due

Fees due to related parties as of December 31 and September 30, 2014 on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* were as follows:

	December 31, 2014	September 30, 2014
Net base management fee due to Adviser	**$ 548**	$ 604
Net incentive fee due to Adviser	**922**	271
Total fees due to Adviser, net of credits	**1,470**	875
Fee due to Administrator	**281**	218
Total Related Party Fees Due	**$ 1,751**	$ 1,093

Other operating expenses due to the Adviser as of December 31 and September 30, 2014, totaled $23 and $20, respectively. In addition, other net co-investment expenses payable to Gladstone Investment (for reimbursement purposes) totaled $0 and $41 as of December 31 and September 30, 2014, respectively. These expenses were paid in full in the quarter subsequent to being incurred and have been included in other liabilities on the accompanying *Condensed Consolidated Statements of Assets and Liabilities* as of December 31 and September 30, 2014, respectively.

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Notes from Former Employees

During the three months ended December 31, 2014 and 2013, we had one outstanding note receivable from one former employee, who is now an employee of the Adviser. The note was for the exercise of options granted under the Amended and Restated 2001 Equity Incentive Plan, which has since been terminated. The note requires the quarterly payment of interest at the market rate in effect at the date of issuance, has a term of nine years and has been recorded as a reduction of net assets. The note was evidenced by a full recourse note that is due upon maturity or 60 days following termination of employment with the Adviser and the shares of common stock purchased with the proceeds of the note is posted as collateral. We did not receive any principal repayments on the note receivable from the former employee during the three months ended December 31, 2014 and 2013. We recognized interest income from this employee note of $2 and $4 for the three months ended December 31, 2014 and 2013, respectively.

The following table is a summary of the remaining note issued to a current employee of the Adviser for the exercise of stock options as of December 31 and September 30, 2014:

Issue Date	Original Amount of Employee Note	Outstanding Balance of Employee Note As of December 31 and September 30, 2014	Maturity Date	Interest Rate on Note
Jul-06	$ 275(A)	$ 100	Jul-15	8.26%

(A) On September 7, 2010, we entered into a redemption agreements (the Redemption Agreement) with Laura Gladstone, a Managing Director of the Adviser and the daughter of Mr. Gladstone, in connection with the maturity of secured promissory notes executed by Ms. Gladstone on July 13, 2006, in the principal amount of $0.3 million (the Note). Ms. Gladstone originally executed the Notes to facilitate her payment of the exercise price of certain stock options (the Options) to acquire shares of our common stock. Concurrently with the execution of the Note, we, together with Ms. Gladstone entered into a stock pledge agreement (the Pledge Agreement), pursuant to which Ms. Gladstone granted to us a first priority security interest in the Pledged Collateral (as defined in the respective Pledge Agreements), which included 18,334 shares of our common stock that Ms. Gladstone acquired pursuant to the exercise of the Options (collectively, the Pledged Shares). The Redemption Agreement provides that, pursuant to the terms and conditions thereof, we will automatically accept and retire the Pledged Shares in partial or full satisfaction, as applicable, of Ms. Gladstone s obligations to us under the Notes at such time, if ever, that the trading price of our common stock reaches $15 per share. In entering into the Redemption Agreement, we reserved all of our existing rights under the Note and the Pledge Agreement, including, but not limited to, the ability to foreclose on the Pledged Collateral at any time. During the year ended September 30, 2014, Ms. Gladstone paid down $0.1 million of the principal of her Note, leaving a principal balance of $0.1 million outstanding as of September 30 and December 31, 2014. In connection with Ms. Gladstone s pay downs of principal, we have not released any of our first priority security interests on her Pledged Shares.

In accordance with ASC 505, *Equity*, receivables from employees for the issuance of capital stock to employees prior to the receipt of cash payment should be reflected in the balance sheet as a reduction to stockholders equity. Therefore, our remaining note totaling $0.1 million as of December 31, 2014 was recorded as a note receivable from employee and is included in the net assets section of our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. As of December 31, 2014, we determined that this note was still recourse.

NOTE 5. BORROWINGS

Revolving Credit Facility

On April 26, 2013, we, through Business Loan, entered into Amendment No. 6 to the fourth amended and restated credit agreement (our Credit Facility) to extend the revolver period end date for one year to January 19, 2016. Our $137.0 million revolving Credit Facility was arranged by Key Equipment Finance, a division of KeyBank National Association, (Key Equipment) as administrative agent. Keybank National Association (KeyBank), Branch Banking and Trust Company and ING Capital LLC also joined our Credit Facility as committed lenders. Subject to certain terms and conditions, our Credit Facility may be expanded from $137.0 million to a maximum of $237.0 million through the addition of other committed lenders to the facility. The interest rates on advances under our Credit Facility generally bear interest at a 30-day London Interbank Offered Rate (LIBOR) plus 3.75% per annum, with a commitment fee of 0.5% per annum on undrawn amounts when our facility is drawn more than 50% and 1.0% per annum on undrawn amounts when our facility is drawn less than 50%. If our Credit Facility is not renewed or extended by January 19, 2016, all principal and interest will be due and payable on or before November 30, 2016. Prior to the April 26, 2013 amendment, on January 29, 2013, we, through Business Loan, amended our Credit Facility to remove the LIBOR minimum of 1.5% on advances. We incurred fees of $0.7 million in April 2013 and $0.6 million in January 2013 in connection with these amendments, which are being amortized through our Credit Facility s revolver period end date of January 19, 2016. All other terms of our Credit Facility remained generally unchanged at the time of these amendments.

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The following tables summarize noteworthy information related to our Credit Facility (at cost) as of December 31 and September 30, 2014 and during the three months ended December 31, 2014 and 2013:

	December 31, 2014	September 30, 2014
Commitment amount	**$ 137,000**	$ 137,000
Borrowings outstanding	**83,500**	36,700
Availability	**37,300**	57,500

	For the Three Months Ended December 31, 2014	For the Three Months Ended December 31, 2013
Weighted average borrowings outstanding	**$ 44,804**	$ 33,145
Effective interest rate(A)	**6.1%**	7.4%
Commitment (unused) fees incurred	**$ 222**	$ 259

(A) Excludes the impact of deferred financing fees.

Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Loan, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with Key Equipment and with The Bank of New York Mellon Trust Company, N.A as custodian. Key Equipment, which also serves as the trustee of the account, generally remits the collected funds to us once a month.

Our Credit Facility contains covenants that require Business Loan to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies without the lenders consent. Our Credit Facility also generally limits payments on distributions to our stockholders to our aggregate net investment income for each of the twelve month periods ending September 30, 2015 and 2016. Business Loan is also subject to certain limitations on the type of loan investments it can apply as collateral towards the borrowing base in order to receive additional borrowing availability under our Credit Facility, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Loan to comply with other financial and operational covenants, which obligate Business Loan to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of 20 obligors required in the borrowing base. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatorily redeemable preferred stock) of $190.0 million plus 50.0% of all equity and subordinated debt raised after January 19, 2012, which equates to $220.5 million as of December 31, 2014, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Section 18 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code.

As of December 31, 2014, and as defined in the performance guaranty of our Credit Facility, we had a net worth of $256.6 million, asset coverage of 235.6% and an active status as a BDC and RIC. In addition, we had 32 obligors in the borrowing base of our Credit Facility as of December 31, 2014. As of December 31, 2014, we were in compliance with all of our Credit Facility covenants.

Pursuant to the terms of our Credit Facility, on July 15, 2013, we, through Business Loan, entered into an interest rate cap agreement with KeyBank, effective July 9, 2013 and expiring January 19, 2016, for a notional amount of $35.0 million that effectively limits the interest rate on a portion of our borrowings under our Credit Facility. The one month LIBOR cap is set at 5.0%. We incurred a premium fee of $62 in conjunction with this agreement, which is recorded in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. As of December 31 and September 30, 2014, the fair value of our interest rate cap agreement was $0.

Fair Value

We elected to apply the fair value option of ASC 825, *Financial Instruments*, specifically for our Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of our Credit Facility is determined using a yield analysis which includes a DCF calculation and also takes into account the Valuation Team s own assumptions, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. As of December 31 and September 30, 2014, the discount rate used to determine the fair value of our Credit Facility was 4.0%. Generally, an increase or decrease in the discount rate used in the DCF calculation, may result in a corresponding increase or decrease, respectively, in the fair value of our Credit Facility. As of December 31 and September 30, 2014, our Credit Facility was valued using Level 3 inputs and any changes in its fair value is recorded in net unrealized appreciation (depreciation) of other on our accompanying *Condensed Consolidated Statements of Operations*.

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The following tables present our Credit Facility carried at fair value as of December 31 and September 30, 2014, on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and the changes in fair value of our Credit Facility during the three months ended December 31, 2014 and 2013:

	Total Recurring Fair Value Measurement Reported in *Condensed Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	December 31, 2014	**September 30, 2014**
Credit Facility	**$ 84,078**	$ 38,013

Fair Value Measurements Using Significant Unobservable Data Inputs (Level 3)	Three Months Ended December 31,	
	2014	**2013**
Fair value as of September 30, 2014 and 2013, respectively	**$ 38,013**	$ 47,102
Borrowings	**59,500**	42,400
Repayments	**(12,700)**	(41,600)
Net unrealized appreciation (depreciation)[(A)]	**(735)**	6
Fair Value as of December 31, 2014 and 2013, respectively	**$ 84,078**	$ 47,908

(A) Included in net unrealized appreciation (depreciation) of other on our accompanying C*ondensed Consolidated Statements of Operations* for the three months ended December 31, 2014 and 2013.

The fair value of the collateral under our Credit Facility was approximately $268.6 million and $222.0 million in aggregate as of December 31 and September 30, 2014, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In May 2014, we completed a public offering of approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share (Series 2021 Term Preferred Stock), at a public offering price of $25.00 per share. Gross proceeds totaled $61.0 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $58.5 million, a portion of which was used to voluntarily redeem all 1.5 million outstanding shares of our then existing 7.125% Series 2016 Term Preferred Stock, par value $0.001 per share (Series 2016 Term Preferred Stock) and the remainder was used to repay a portion of outstanding borrowings under our Credit Facility. In connection with the voluntary redemption of our Series 2016 Term Preferred Stock, we recognized a realized loss on extinguishment of debt of $1.3 million, which was reflected on our statement of operations for the three months ended June 30, 2014 and which was primarily comprised of the unamortized deferred issuance costs at the time of redemption.

We incurred $2.5 million in total offering costs related to the issuance of our Series 2021 Term Preferred Stock, which are recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and are being amortized over the redemption period ending June 30, 2021. The shares of our Series 2021 Term Preferred Stock and are traded under the ticker symbol GLADO on the NASDAQ Global Select Market (NASDAQ). Our Series 2021 Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend rate equal to 6.75% per year, payable monthly (which equates in total to approximately $4.1 million per year). We are required to redeem all of the outstanding Series 2021 Term Preferred Stock on June 30, 2021 for cash at a redemption price equal to $25.00 per share plus an amount equal to all unpaid dividends and distributions on such share accumulated to (but excluding) the date of redemption (the Redemption Price). We may additionally be required to mandatorily redeem some or all of the shares of our Series 2021 Term Preferred Stock early, at the Redemption Price, in the event of the following: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series 2021 Term Preferred Stock and (2) if we fail to maintain an asset coverage ratio of at least 200.0% and do not take steps to cure such asset coverage amount within a specified period of time. We may also voluntarily redeem all or a portion of the Series 2021 Term Preferred Stock at the Redemption Price in our sole discretion to have an asset coverage ratio of up to and including 240.0% and at any time on or after June 30, 2017. If we fail to redeem our Series 2021 Term Preferred Stock pursuant to the mandatory redemption required on June 30, 2021, or in any other circumstance in which we are required to mandatorily redeem our Series 2021 Term Preferred Stock, then the fixed dividend rate will increase by 4.0% for so long as such failure continues. As of December 31, 2014, we have not redeemed any of our outstanding Series 2021 Term Preferred Stock.

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In November 2011, we completed a public offering of approximately 1.5 million shares of our Series 2016 Term Preferred Stock, at a public offering price of $25.00 per share. Gross proceeds totaled $38.5 million and net proceeds, after deducting underwriting discounts, commissions and offering expenses borne by us, were $36.4 million, a portion of which was used to repay a portion of outstanding borrowings under our Credit Facility. We incurred $2.1 million in total offering costs related to these transactions, which were recorded as deferred financing fees on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and were amortized over the redemption period ending December 31, 2016. In May 2014, when we voluntarily redeemed our Series 2016 Term Preferred Stock, the remaining unamortized costs were fully written off as part of the realized loss on extinguishment of debt discussed above. Our Series 2016 Term Preferred Stock provided for a fixed dividend rate equal to 7.125% per year, payable monthly (which equated in total to approximately $2.7 million per year). The shares of our Series 2016 Term Preferred Stock were traded under the ticker symbol of GLADP on the NASDAQ. In connection with the voluntary redemption, shares of our Series 2016 Term Preferred Stock were removed from listing on May 22, 2014.

We paid the following monthly distributions on our Series 2016 Term Preferred Stock for the three months ended December 31, 2013:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2016 Term Preferred Share
2014	October 8, 2013	October 22, 2013	October 31, 2013	$ 0.1484375
	October 8, 2013	November 14, 2013	November 29, 2013	0.1484375
	October 8, 2013	December 16, 2013	December 31, 2013	0.1484375
			Three Months Ended December 31, 2013:	**$ 0.4453125**

We paid the following monthly distributions on our Series 2021 Term Preferred Stock for the three months ended December 31, 2014:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Series 2021 Term Preferred Share
2015	October 7, 2014	October 22, 2014	October 31, 2014	$ 0.1406250
	October 7, 2014	November 17, 2014	November 26, 2014	0.1406250
	October 7, 2014	December 19, 2014	December 31, 2014	0.1406250
			Three Months Ended December 31, 2014:	**$ 0.4218750**

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities in the balance sheet and we have recorded our term preferred stock at cost as of

December 31 and September 30, 2014. The related distribution payments to preferred stockholders are treated as dividend expense on our statement of operations as of the ex-dividend date. For disclosure purposes, the fair value, based on the last quoted closing price, for our Series 2021 Term Preferred Stock as of December 31 and September 30, 2014, was approximately $62.5 million and $63.0 million, respectively. We consider our mandatorily redeemable preferred stock to be a Level 1 liability within the ASC 820 hierarchy.

Aggregate preferred stockholder distributions declared and paid on our Series 2016 Term Preferred Stock for the three months ended December 31, 2013, were approximately $0.7 million. Aggregate preferred stockholder distributions declared and paid on our Series 2021 Term Preferred Stock for the three months ended December 31, 2014, were approximately $1.0 million. For federal income tax purposes, distributions paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

NOTE 7. REGISTRATION STATEMENT

We filed Post-Effective Amendment No. 4 to our universal shelf registration statement (our Registration Statement) on Form N-2 (File No. 333-185191) with the SEC on December 1, 2014, and subsequently filed Post-Effective Amendment No. 5 on January 29, 2015, which the SEC has declared effective as of January 30, 2015. Our Registration Statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock or preferred stock. We have the ability to issue up to $239.0 million in securities under our Registration Statement. We issued approximately 2.4 million shares of our Series 2021 Term Preferred Stock under our Registration Statement in May 2014. No other securities have been issued to date under our Registration Statement.

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NOTE 8. NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net increase in net assets resulting from operations per weighted average common share for the three months ended December 31, 2014 and 2013:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013
Numerator for basic and diluted net increase in net assets resulting from operations per common share	**$ 331**	$ 10,506
Denominator for basic and diluted weighted average common shares	**21,000,160**	21,000,160
Basic and diluted net increase in net assets resulting from operations per common share	**$ 0.02**	$ 0.50

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC, we are required to distribute to our stockholders 90.0% of our investment company taxable income. The amount to be paid out as distributions to our stockholders is determined by our Board of Directors quarterly and is based on management s estimate of the fiscal year earnings. Based on that estimate, our Board of Directors declares three monthly distributions each quarter.

The federal income tax characterization of all distributions is reported to our stockholders on the Internal Revenue Service Form 1099 at the end of each calendar year. For each of the nine months ended September 30, 2014, approximately 100.0% of our common distributions were deemed to be paid from a return of capital and for each of October, November and December 2014, approximately 100.0% of our common distributions were deemed to be paid from ordinary income for Form 1099 reporting purposes. For each of the nine months ended September 30, 2013, approximately 92.0% of our common distributions were deemed to be paid from ordinary income, with the remainder of approximately 8.0% deemed to be from a return of capital and for each of October, November and December 2013, approximately 100.0% of our common distributions were deemed to be paid from ordinary income for Form 1099 reporting purposes. In determining the characterization of distributions, the Internal Revenue Code Section 316(b)(4) allows RICs to apply current earnings and profits first to distributions made during the portion of the tax year prior to January 1, which in our case would be the three months ended December 31. The return of capital in both the 2014 and 2013 calendar years for Form 1099 reporting purposes resulted primarily from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

We paid the following monthly distributions to common stockholders for the three months ended December 31, 2014 and 2013:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share

2015	October 7, 2014	October 22, 2014	October 31, 2014	$	0.07
	October 7, 2014	November 17, 2014	November 26, 2014		0.07
	October 7, 2014	December 19, 2014	December 31, 2014		0.07
		Three Months Ended December 31, 2014:		**$**	**0.21**
2014	October 8, 2013	October 22, 2013	October 31, 2013	$	0.07
	October 8, 2013	November 14, 2013	November 29, 2013		0.07
	October 8, 2013	December 16, 2013	December 31, 2013		0.07
		Three Months Ended December 31, 2013:		**$**	**0.21**

Aggregate distributions declared and paid to our common stockholders for the three months ended December 31, 2014 and 2013, were each approximately $4.4 million, and were declared based on estimates of net investment income for the respective periods. For our federal income tax reporting purposes, we determine the tax characterization of our common stockholder distributions at fiscal year-end based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. Such a characterization made on a quarterly basis may not be representative of the actual full fiscal year characterization. If we characterized our common stockholder distributions for the three months ended December 31, 2014, 100.0% would be a return of capital, primarily due to GAAP realized losses being recognized as ordinary losses for federal income tax purposes. For the fiscal year ended September 30, 2014, common stockholder distributions declared and paid exceeded our accumulated earnings and profits (after taking into account term preferred stock dividends), resulting in a partial return of capital of approximately $15.2 million. The return of capital for the three months ended December 31, 2014 and the year ended September 30, 2014, primarily resulted from GAAP realized losses being recognized as ordinary losses for federal income tax purposes.

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For the three months ended December 31, 2014 and the year ended September 30, 2014, we recorded the following adjustments for book-tax differences to reflect tax character.

	Three Months Ended December 31, 2014	Year Ended September 30, 2014
Overdistributed net investment income	**$ (1,945)**	$ (2,556)
Accumulated net realized losses	**16,434**	18,144
Capital in excess of par value	**(14,489)**	(15,588)

NOTE 10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. Additionally, based on current knowledge, we do not believe such loss contingencies are probable and estimable and therefore, as of December 31, 2014, we have not established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we will enter into arrangements as it relates to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations as stipulated in the sales agreements. We record escrow amounts in restricted cash and cash equivalents on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and totaled $1.1 million and $0 as of December 31 and September 30, 2014, respectively. We establish a contingent liability against the escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not be ultimately received at the end of the escrow period. The aggregate contingent liabilities recorded against the escrow amounts was $0.6 million and $0 as of December 31 and September 30, 2014, respectively.

Financial Commitments and Obligations

We have lines of credit with certain of our portfolio companies that have not been fully drawn. Since these commitments have expiration dates and we expect many will never be fully drawn, the total commitment amounts do not necessarily represent future cash requirements.

When investing in certain private equity funds, we may have uncalled capital commitments, depending on the agreed upon terms of our committed ownership interest. These capital commitments usually have a specific date in the future set as a closing date, at which time the commitment is either funded or terminates. As of December 31 and September 30, 2014, we had uncalled capital commitments related to our partnership interest in Leeds Novamark Capital I, L.P.

The following table summarizes the amounts of our unused line of credit and uncalled capital commitments as of December 31 and September 30, 2014, which are not reflected as liabilities in the accompanying *Condensed Consolidated Statements of Assets and Liabilities*:

	December 31, 2014	September 30, 2014
Unused line of credit commitments	**$ 12,042**	$ 5,905
Uncalled capital commitment	**2,778**	2,827
Total	**$ 14,820**	$ 8,732

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NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended December 31, 2014	2013
Per Common Share Data[A]:		
Net asset value at beginning of period[A]	**$ 9.51**	$ 9.81
Net investment income[B]	**0.18**	0.21
Net realized loss on investments[B]	**(0.61)**	(0.51)
Net unrealized appreciation of investments[B]	**0.41**	0.80
Net unrealized depreciation of other[B]	**0.03**	
Distributions to common stockholders from net investment income[A][C]	**(0.21)**	(0.21)
Net asset value at end of period[A]	**$ 9.31**	$ 10.10
Market value at beginning of period	**$ 8.77**	$ 8.73
Market value at end of period	**8.27**	9.57
Total return [D]	**(3.45)%**	12.10%
Common shares outstanding at end of period	**21,000,160**	21,000,160
Statement of Assets and Liabilities Data:		
Net assets at end of period	**$ 195,581**	$ 212,088
Average net assets[E]	**198,295**	208,396
Senior Securities Data:		
Borrowings under Credit Facility, at cost	**83,500**	47,700
Mandatorily redeemable preferred stock	**61,000**	38,497
Asset coverage ratio[F]	**236%**	346%
Asset coverage per unit[G]	**$ 2,356**	$ 3,459
Ratios/Supplemental Data:		
Ratio of expenses to average net assets-annualized[H][J]	**12.67%**	11.02%
Ratio of net expenses to average net assets-annualized[I]	**10.16**	7.64
Ratio of net investment income to average net assets-annualized	**7.44**	8.46

(A) Based on actual common shares outstanding at the end of the corresponding period.
(B) Based on weighted average basic per common share data.
(C) Distributions to common stockholders are determined based on taxable income calculated in accordance with income tax regulations which may differ from income amounts determined under GAAP.
(D) Total return equals the change in the ending market value of our common stock from the beginning of the period, taking into account common stockholder distributions reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account common stockholder distributions that may be characterized as a return of capital. For further information on the estimated character of our

distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders*. Total return is not annualized.

(E) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.

(F) As a BDC, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200.0% on our senior securities representing indebtedness and our senior securities that are stock. Our mandatorily redeemable preferred stock is a senior security that is stock.

(G) Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

(H) Ratio of expenses to average net assets is computed using expenses before credits from the Adviser.

(I) Ratio of net expenses to average net assets is computed using total expenses net of credits from the Adviser.

(J) The ratio of expenses to average net assets for the three months ended December 31, 2013 was revised from the previously reported ratio, which was 9.33%, to correct an error as discussed in Note 2 *Summary of Significant Accounting Policies*.

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NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC s Regulation S-X and GAAP, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest. We had certain unconsolidated subsidiaries, specifically Defiance Integrated Technologies, Inc., Midwest Metal, RBC Acquisition Corp. and Sunshine Media Holdings, as of December 31 and September 30, 2014 and for the three months ended December 31, 2014 and 2013, that met at least one of the significance conditions of the SEC s Regulation S-X. Accordingly, pursuant to Regulation S-X, summarized, comparative financial information, in aggregate, is presented below for the three months ended December 31, 2014 and 2013 for our significant unconsolidated subsidiaries.

	Three Months Ended December 31,	
Income Statement	**2014**	**2013**
Net sales	**$ 41,960**	$ 36,557
Gross profit	**7,825**	7,375
Net loss	**(305)**	(1,091)

NOTE 13. SUBSEQUENT EVENTS

Distributions to Stockholders

In January 2015, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Series 2021 Term Preferred Share
January 23, 2015	February 3, 2015	$ 0.07	$ 0.140625
February 18, 2015	February 27, 2015	0.07	0.140625
March 20, 2015	March 31, 2015	0.07	0.140625
	Total for the Quarter:	**$ 0.21**	**$ 0.421875**

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PROSPECTUS

$300,000,000

COMMON STOCK

PREFERRED STOCK

SUBSCRIPTION RIGHTS

WARRANTS

DEBT SECURITIES

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

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

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, to or through underwriters or dealers, at the market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See *Plan of Distribution.* We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market (NASDAQ) under the symbol GLAD. As of January 28, 2015, the last reported sales price for our common stock was $7.43. Our 6.75% Series 2021 Term Preferred Stock, or our Series 2021 Term Preferred Stock, is also traded on the NASDAQ under the symbol GLADO. As of January 28, 2015, the last reported sales price for our Series 2021 Term Preferred Stock was $25.51.

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

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

An investment in our Securities involves certain risks, including, among other things, risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled Risk Factors, which begins on page 9. Common shares of closed-end investment companies frequently trade at a discount to their net asset value and this may increase the risk of loss to purchasers of our Securities. You should carefully consider these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our Securities.

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

The date of this prospectus is January 30, 2015

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

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

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PROSPECTUS SUMMARY

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

General

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

Gladstone Financial Corporation (Gladstone Financial), a wholly-owned subsidiary of ours, was established on November 21, 2006, for the purpose of holding a license to operate as a Specialized Small Business Investment Company. Gladstone Financial (previously known as Gladstone SSBIC Corporation) acquired this license in February 2007. The license enables us, through this subsidiary, to make investments in accordance with the United States Small Business Administration guidelines for specialized small business investment companies. As of September 30, 2014 and 2013, we held no investments in portfolio companies through Gladstone Financial.

Our Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5 million to $25 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We lend to borrowers that need funds for growth capital, to finance acquisitions, or to recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises. Our targeted portfolio companies are generally considered too small for the larger capital marketplace. We expect that our investment portfolio over time will consist of approximately 95.0% in debt investments and 5.0% in equity investments, at cost. As of September 30, 2014, our investment portfolio was made up of approximately 91.6% in debt investments and 8.4% in equity investments, at cost.

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

In July 2012, the Securities and Exchange Commission (SEC) granted us an exemptive order that expands our ability to co-invest with certain of our affiliates under certain circumstances and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC s order. We believe this ability to co-invest will continue to enhance our ability to further our investment objectives and strategies.

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

As of September 30, 2014, our portfolio consisted of loans to 45 companies located in 20 states in 17 different industries with an aggregate fair value of $281.3 million. Since our initial public offering in 2001 through September 30, 2014, we have invested in over 185 different companies, while making over 140 consecutive monthly or quarterly distributions to common stockholders totaling approximately $239.1 million or $15.25 per share. We expect that our investment portfolio will primarily include the following four categories of investments in private U.S. companies:

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

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

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

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

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

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

Our Investment Adviser and Administrator

Gladstone Management Corporation (the Adviser) is our affiliated investment adviser and a privately-held company led by a management team that has extensive experience in our lines of business. Another of our and the Adviser s affiliates, a privately-held company, Gladstone Administration, LLC (the Administrator), employs, among others, our chief financial officer, treasurer, chief compliance officer, internal legal counsel and secretary and their respective staffs. Excluding our chief financial officer and treasurer, all of our executive officers serve as directors or executive officers, or both, of the following of our affiliates: Gladstone Commercial Corporation (Gladstone Commercial), a publicly traded real estate investment trust; Gladstone Investment Corporation (Gladstone Investment), a publicly traded BDC and RIC; Gladstone Land Corporation (Gladstone Land), a publicly traded real estate company that invests in farmland and farm related property; the Adviser; and the Administrator. Our treasurer is also the chief financial officer and treasurer of Gladstone Investment and our chief financial officer is also chief accounting officer of the Adviser. David Gladstone, our chairman and chief executive officer, also serves on the board of managers of our affiliate, Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and insured by the Securities Investor Protection Corporation.

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

We have been externally managed by the Adviser pursuant to an investment advisory and management agreement since October 1, 2004. The investment advisory and management agreement originally included administrative services; however, it was amended and restated on October 1, 2006 and at that time we entered into an administration agreement with the Administrator to provide such services. The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

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THE OFFERING

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

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

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

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

	distributions to common stockholders are based on estimates of taxable income that may differ from actual results, future distributions payable to our common stockholders may also include, and past distributions have included, a return of capital. Such return of capital distributions may increase an investor s tax liability for capital gains upon the sale of our shares by reducing the investor s tax basis for such shares. See *Risk Factors Distributions to our stockholders have included and may in the future include a return of capital.* Certain additional amounts may be deemed as distributed to common stockholders for income tax purposes and may also constitute a return of capital. Other types of securities we might offer will likely pay distributions in accordance with their terms.
Taxation	We intend to continue to elect to be treated for federal income tax purposes as a RIC. So long as we continue to qualify, we generally will pay no corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders. To maintain our RIC status, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90.0% of our taxable ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of assets legally available for distribution. See *Material U.S. Federal Income Tax Considerations.*

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Trading at a Discount	Common shares of closed-end investment companies frequently trade at a discount to their NAV. The possibility that our common shares may trade at a discount to our NAV is separate and distinct from the risk that our NAV per common share may decline. We cannot predict whether our common shares will trade above, at or below NAV, although during the past three years, our common stock has often traded, and at times significantly, below NAV.
Certain Anti-Takeover Provisions	Our Board of Directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain provisions of Maryland law and other measures we have adopted. See *Certain Provisions of Maryland Law and of Our Articles of Incorporation and Bylaws.*
Dividend Reinvestment Plan	We have a dividend reinvestment plan for our common stockholders. This is an opt in dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares. Common Stockholders who do not so elect will receive their distributions in cash. Common Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See *Dividend Reinvestment Plan.* There is no dividend reinvestment plan for our Series 2021 Term Preferred Stock.
Management Arrangements	Gladstone Management Corporation serves as the investment adviser, and Gladstone Administration, LLC serves as the Administrator. For a description of the Adviser, the Administrator, the Gladstone Companies and the contractual arrangements with these companies, see *Management Certain Transactions Investment Advisory and Management Agreement, Management Certain Transactions Administration Agreement* and *Management Certain Transactions Loan Servicing Agreement.*

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by us or Gladstone Capital, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Capital. The following annualized percentages were calculated based on actual expenses incurred in the quarter ended September 30, 2014 and average net assets for the quarter ended September 30, 2014.

Stockholder Transaction Expenses:	
Sales load or other commission (as a percentage of offering price)(1)	%
Offering expenses (as a percentage of offering price)(1)	%

Dividend reinvestment plan expenses(2)	None
Total stockholder transaction expenses (1)	%
Annual expenses (as a percentage of net assets attributable to common stock)(3):	
Management fees(4)	3.03%
Loan servicing fees(5)	1.84%
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	0.57%
Interest payments on borrowed funds(7)	1.79%
Dividend expense on mandatorily redeemable preferred stock (8)	2.35%
Other expenses(9)	1.57%
Total annual expenses(9)	11.15%

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

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

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

(4) Our annual base management fee is 2.0% (0.5% quarterly) of our average gross assets, which are defined as total assets of Gladstone Capital, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. In accordance with the requirements of the SEC, the table above shows Gladstone Capital s management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the gross base management fee has been converted to 3.03% of the average net assets as of September 30, 2014 by dividing the total dollar amount of the management fee by Gladstone Capital s average net assets. Under the advisory agreement, the Adviser has provided and continues to provide managerial assistance to our portfolio companies. It may also provide services other than managerial assistance to our portfolio companies and receive fees therefor. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. At the end of each quarter, 100.0% of these fees are voluntarily credited against the base management fee that we would otherwise be required to pay to the Adviser; however, a small percentage of certain of such fees, primarily for valuation of the portfolio company, is retained by the Adviser in the form of reimbursement at cost for certain tasks completed by personnel of the Adviser. For the quarter ended September 30, 2014, $0.1 million, or 3.0% of total net annual expenses, of these fees were voluntarily credited against the base management fee.

(5) In addition, the Adviser services, administers and collects on the loans held by Gladstone Business Loan, LLC (Business Loan), in return for which the Adviser receives a 2.0% annual loan servicing fee payable monthly by Business Loan based on the monthly aggregate balance of loans held by Business Loan in accordance with our credit facility. For the three months ended September 30, 2014, the total loan servicing fees were $0.9 million. The entire loan servicing fee paid to the Adviser by Business Loan is voluntarily credited against the base management fee otherwise payable to the Adviser since Business Loan is a consolidated subsidiary of the Company, and overall, the base management fee (including any loan servicing fee) cannot exceed 2% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year pursuant to the Advisory Agreement. For the three months ended September 30, 2014, the Adviser voluntarily agreed to waive the annual base management fee of 2.0% to 0.5% for those senior syndicated loan participations to the extent that proceeds resulting from borrowings were used to purchase such senior syndicated loan participations. For the three months ended September 30, 2014, $29,530, or 0.7% of total net annual expenses, of these fees were voluntarily credited against the base management fee. After all voluntary credits described above that are applied against the base management fee, the total annual expenses after fee waivers would be 8.98% for the quarter ended September 30, 2014. See *Management Certain Transactions Investment Advisory and Management Agreement* and footnote 6 below.

(6) The incentive fee consists of two parts: an income-based fee and a capital gains-based fee. The income-based fee is payable quarterly in arrears, and equals 20.0% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7.0% annualized) hurdle rate of our net assets, subject to a catch-up provision measured as of the end of each calendar quarter. The catch-up provision requires us to pay 100.0% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125.0% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide the Adviser with 20.0% of our pre-incentive fee net

investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125.0% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). The income-based incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. Our pre-incentive fee net investment income used to calculate this part of the income-based incentive fee is also included in the amount of our gross assets used to calculate the 2.0% base management fee (see footnote 3 above). The capital gains-based incentive fee equals 20.0% of our net realized capital gains since our inception, if any, computed net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. We have not recorded any capital gains-based incentive fee from our inception through September 30, 2014.

From time to time, the Adviser has voluntarily agreed to waive a portion of the incentive fees, to the extent net investment income did not cover 100.0% of the distributions to common stockholders during the period. For the quarter ended September 30, 2014, the incentive fee waiver was $0.7 million. There can be no guarantee that the Adviser will continue to waive any portion of the fees under the Advisory Agreement in the future.

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

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

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

= 100% × (2.00% - 1.75%)

= 0.25%

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

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

= (100% × 0.4375%) + (20% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

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

= 20% × (6% - 1%)

= 20% × 5%

= 1%

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

(7) Includes deferred financing costs. On April 26, 2013, we extended the maturity date of our credit facility to January 19, 2016, under which our borrowing capacity is $137.0 million. In addition, on January 29, 2013, we removed the LIBOR minimum of 1.50% on advances under our credit facility. We have drawn down on this credit facility and we expect to borrow additional funds in the future up to an amount so that our asset coverage, as defined in the 1940 Act, is at least 200.0% after each issuance of our senior securities. Assuming that we borrowed $137.0 million at an interest rate of 4.00% plus an additional fee related to borrowings of 0.63%, for an aggregate rate of 4.63%, interest payments and amortization of deferred financing costs on borrowed funds would

have been 3.33% of our average net assets for the quarter ended September 30, 2014.

(8) In May 2014, we completed a public offering of 6.75% Series 2021 Term Preferred Stock, par value $0.001 per share, at a public offering price of $25.00 per share. In the offering, we issued approximately 2.4 million shares of 6.75% Series 2021 Term Preferred Stock. Dividend expense includes the amounts paid to preferred stockholders during the three months ended September 30, 2014. Also included in this line item is the amortization of the offering costs related to our term preferred stock offering. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Equity Series 2021 Term Preferred Stock* for additional information.

(9) Includes our overhead expenses, including payments under the administration agreement based on our projected allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the administration agreement. See *Management Certain Transactions Administration Agreement*.

Examples

The following examples demonstrate the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our Securities. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above. The amounts set

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forth below do not reflect the impact of sales load or offering expenses to be borne by Gladstone