

GLADSTONE CAPITAL CORP

Form 497

October 24, 2011

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

**Filed Pursuant to Rule 497
File No. 333-162592**

**Prospectus Supplement
(To Prospectus Dated July 15, 2011)**

\$

**PREFERRED STOCK
Shares, % Series 2016
Liquidation Preference \$25 Per Share**

We are offering _____ shares of our _____ % Series 2016 preferred stock, or the Series 2016 Term Preferred Shares. We will pay monthly dividends on the Series 2016 Term Preferred Shares at an annual rate of _____ % of the \$25 liquidation preference per share, or \$ _____ per Series 2016 Term Preferred Share per year, on the last business day of each month, commencing on December 30, 2011.

We are required to redeem all of the outstanding Series 2016 Term Preferred Shares on December 31, 2016 at a redemption price equal to \$25 per share plus an amount equal to accumulated but unpaid dividends, if any, to the date of redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series 2016 Term Preferred Shares on December 31, 2016 without the prior unanimous consent of the holders of Series 2016 Term Preferred Shares. If we fail to maintain an Asset Coverage ratio of at least 200% (as described in this prospectus supplement), we will redeem a portion of the outstanding Series 2016 Term Preferred Shares in an amount at least equal to the lesser of (1) the minimum number of shares of Series 2016 Term Preferred Stock necessary to cause us to meet our required Asset Coverage ratio and (2) the maximum number of Series 2016 Term Preferred Shares that we can redeem out of cash legally available for such redemption. At any time on or after December 31, 2012, at our sole option, we may redeem the Series 2016 Term Preferred Shares at a redemption price per share equal to the sum of the \$25 liquidation preference per share plus (i) an initial premium of 1.00% of the liquidation preference (with such premium declining by 0.50% on the first and second anniversaries such that, beginning on December 31, 2014, no premium will be payable in connection with any such optional redemption) and (ii) an amount equal to accumulated but unpaid dividends, if any, on the Series 2016 Term Preferred Shares.

Each holder of our Series 2016 Term Preferred Shares (and any other preferred stock we may issue in the future) will be entitled to one vote for each share held by such holder on any matter submitted to a vote of our stockholders, and the holders of all of our outstanding preferred stock and common stock will vote together as a single class. The holders of the Series 2016 Term Preferred Shares (together with any other preferred stock we may issue in the future), voting separately as a class, will elect at least two of our directors and, upon failure to pay dividends for at least two years, will elect a majority of our directors.

The Series 2016 Term Preferred Shares will rank equally in right of payment with all other shares of preferred stock that we may issue and will rank senior in right of payment to all of our common stock.

The Series 2016 Term Preferred Shares have been cleared for listing on the New York Stock Exchange, or the NYSE, subject to notice of official issuance of trading, under the symbol GLAD PR A. Our common stock is traded on the NASDAQ Global Select Market, or NASDAQ, under the symbol GLAD. On October 20, 2011, the last sale price of our common stock as reported on NASDAQ was \$7.29 per share. The Series 2016 Term Preferred Shares will not be convertible into our common stock or any other security of our company.

Investing in our securities involves risks. You could lose some or all of your investment. You should carefully consider each of the factors described under Risk Factors beginning on page S-8 of this prospectus supplement and beginning on page 8 of the accompanying prospectus before you invest in the Series 2016 Term Preferred Shares.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total(2)
<i>Public offering price</i>	\$	\$
<i>Underwriting discounts and commissions</i>	\$	\$
<i>Proceeds, before expenses, to us(1)</i>	\$	\$

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

(2) We have granted the underwriters a 30-day option to purchase up to an additional Series 2016 Term Preferred Shares from us on the same terms and conditions set forth above solely to cover over-allotments, if any. If such option is exercised in full, the public offering price, underwriting discounts and commissions and proceeds, before expenses, to us would be \$, \$ and \$, respectively. See Underwriting on page S-42 of this prospectus supplement.

The underwriters expect to deliver the Series 2016 Term Preferred Shares on or about , 2011.

Janney Montgomery Scott

BB&T Capital Markets

A Division of Scott & Stringfellow, LLC

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

Wunderlich Securities

Ladenburg Thalmann & Co. Inc.

Boening & Scattergood, Inc.

Prospectus Supplement dated , 2011

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This prospectus supplement, together with the accompanying prospectus, sets forth the information that you should know before investing. You should read the prospectus supplement and accompanying prospectus, which contain important information, before deciding whether to invest in the Series 2016 Term Preferred Shares.

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

You may request a free copy of this prospectus supplement, the accompanying prospectus, our annual reports to stockholders, when available, and other information about us, and make stockholder inquiries by calling (866) 366-5745 or by writing to us at 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102, or from our website (<http://www.GladstoneCapital.com>). The information contained in, or that can be accessed through, our website is not part of this prospectus supplement or the accompanying prospectus. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also furnish to our stockholders annual reports, which include annual financial information that has been examined and reported on, with an opinion expressed, by our independent registered public accounting firm.

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

The Series 2016 Term Preferred Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the Series 2016 Term Preferred Shares in any jurisdiction where such an offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their respective covers, regardless of the time of delivery or any sale of the Series 2016 Term Preferred Shares.

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PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Company's Articles Supplementary Establishing and Fixing the Rights and Preferences of Gladstone Capital Term Preferred Shares, or the Articles Supplementary, which is attached as Appendix A to this prospectus supplement, prior to making an investment in the Series 2016 Term Preferred Shares, and especially the information set forth under the headings Risk Factors. 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. Capitalized terms used but not defined in this prospectus supplement or accompanying prospectus have the meanings given to such terms in the Articles Supplementary. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their over-allotment option.

Gladstone Capital Corporation

Gladstone Capital Corporation is an externally managed specialty finance company that provides capital to small and medium-sized private U.S. businesses and commenced investment operations in September 2001. Our investment objective is to achieve a high level of current income by investing in debt securities, consisting primarily of senior notes, senior subordinated notes and junior subordinated notes, of established private businesses that are substantially owned by leveraged buyout funds and individual investors or are family owned businesses, with a particular focus on investments in senior notes. We also seek to provide our stockholders with long-term capital growth through appreciation in the value of warrants or other equity instruments that we may receive when we make loans.

As of June 30, 2011, our portfolio consisted of loans to 59 companies in 29 states in 24 different industries with a fair value of \$299.3 million, consisting of senior term debt, senior subordinated term debt, preferred equity and common equity. Since our initial public offering in 1994, we have made over 100 consecutive monthly distributions. Our monthly distributions per share were \$0.07 in September 2011.

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

As of June 30, 2011, we had 21,039,242 shares of common stock, par value \$0.001 per share, or Common Stock, outstanding and no shares of preferred stock outstanding.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at <http://www.GladstoneCapital.com>.

Information on our website is not incorporated into or a part of this prospectus supplement or the accompanying prospectus.

Investment Strategy

We seek to invest in small and medium-sized private U.S. businesses that meet some, but not necessarily all, of the following criteria: (1) potential for growth in cash flow, (2) adequate assets for loan collateral, (3) experienced management teams with a significant ownership interest in the borrower, (4) profitable operations based on the borrower's cash flow, (5) reasonable capitalization of the borrower (usually by leveraged buyout funds or venture capital funds) and (6) potential to realize appreciation or gain liquidity in our equity investment, if any. We seek to lend to borrowers that need funds to finance growth, restructure their balance sheets or effect a change of control. Our loans include senior, senior subordinated (including second lien notes) and junior subordinated loans (including mezzanine notes). These loans typically range from

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\$5 million to \$20 million, although our average investment size tends to vary proportionately with the size of our capital base. Our loans generally mature in no more than seven years and accrue interest at a fixed or variable rate that exceeds the applicable prime rate. We may also receive yield enhancements in connection with our loans, which may include warrants to purchase stock, stock or success fees.

Because we expect that a majority of our portfolio loans will consist of term debt issued by 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 of the debt securities we acquire will be unrated. We cannot accurately predict what ratings these loans might receive if they were rated, and thus cannot determine whether or not they should be considered of investment grade quality. However, for loans that lack a rating by a credit rating agency, 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 high risk as compared to investment-grade debt instruments. We anticipate that we will achieve liquidity in our equity investments, if any, through a merger or acquisition of the borrower, a public offering of the borrower's common stock or through an exercise of our right to require the borrower to repurchase our warrants, although there can be no assurance that we will always obtain these rights.

Recent Operating Results

Set forth below are certain preliminary estimates of the results of operations for the fiscal year ended September 30, 2011. These estimates are subject to completion of our financial closing procedures. These estimates are not a comprehensive statement of our financial results for the fiscal year ended September 30, 2011, and our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for this year are finalized.

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

The following are preliminary estimates for the fiscal year ended September 30, 2011:

Total investment income for the fiscal year ended September 30, 2011 is estimated to be between \$35.0 million and \$36.0 million, compared to \$35.5 million for the fiscal year ended September 30, 2010.

Total expenses net of credits for the fiscal year ended September 30, 2011 is estimated to be between \$16.4 million and \$17.4 million, compared to total expenses net of credits of \$17.8 million for the fiscal year ended September 30, 2010. The estimated decrease in total expenses net of credits for the fiscal year ended September 30, 2011 when compared to fiscal year ended September 30, 2010 was primarily due to a decrease in interest expense resulting from lower average borrowings outstanding under our \$137.0 million revolving line of credit arranged by Key Equipment Finance Inc. as administrative agent, or the Credit Facility, and a lower effective interest rate.

Net investment income for the fiscal year ended September 30, 2011 is estimated to be between \$17.6 million and \$19.6 million, compared to \$17.8 million for the fiscal year ended September 30, 2010.

Net realized loss on investments for the fiscal year ended September 30, 2011 is estimated to be between \$1.0 million and \$2.0 million, compared to \$2.9 million for the fiscal year ended September 30, 2010.

Net unrealized depreciation on investments for the fiscal year ended September 30, 2011 is estimated to be between \$39.0 million and \$40.0 million, compared to the unrealized appreciation on investments of \$2.3 million for the fiscal year ended September 30, 2010. The estimated increase in unrealized depreciation on investments for the fiscal year ended September 30, 2011 when compared to fiscal year ended

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September 30, 2010 was primarily due to a decrease in the performance of certain portfolio companies and certain comparable company multiples used in valuing our investments.

We placed two loans with an aggregate cost basis and estimated fair value, as of September 30, 2011, of approximately \$11.4 million and \$0.6 million, respectively, on non-accrual during the quarter ended September 30, 2011. With the additions of these loans, the total number of our portfolio companies with non-accrual loans as of September 30, 2011 was eight, with a total cost basis of approximately \$41.1 million, or 10.7% of our total investment portfolio. On a fair value basis, we estimate that non-accrual loans represented approximately \$4.3 million, or 1.4% of our total investment portfolio as of September 30, 2011.

Additionally, we estimate that our investments at fair value increased approximately \$44.9 million from September 30, 2010 to approximately \$302.0 million as of September 30, 2011, primarily due to increased net production, partially offset by increased unrealized depreciation. We also estimated that our borrowings outstanding under our Credit Facility increased approximately \$81.5 million from September 30, 2010 to approximately \$99.4 million as of September 30, 2011, primarily due to cash needs for increased net investment production. Overall, we estimate that our net assets decreased approximately \$36.5 million from September 30, 2010 to approximately \$212.8 million as of September 30, 2011, primarily due to increased unrealized depreciation.

Our Investment Adviser and Administrator

Our Adviser is our affiliate and investment adviser and is led by a management team which has extensive experience in our lines of business. Excluding our chief financial officer, all of our executive officers serve as either directors or executive officers, or both, of our Adviser, our Administrator and certain other funds affiliated with us and advised by our Adviser. Our treasurer is also an executive officer of Gladstone Securities LLC, a broker-dealer registered with the Financial Industry Regulatory Authority, or FINRA. Our Administrator employs our chief financial officer, chief compliance officer, internal counsel, controller and treasurer and their respective staffs.

Our Adviser and Administrator also provide investment advisory and administrative services, respectively, to our affiliated funds, some of which co-invest with us on certain portfolio investments. In the future, our Adviser and our Administrator may provide investment advisory and administrative services, respectively, to other funds, both public and private.

Our Adviser was organized as a Delaware corporation in 2002 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. Since October 1, 2004, we have been externally managed by the Adviser, which is headquartered in McLean, Virginia, a suburb of Washington D.C., and also has offices in California, Illinois, New York and Virginia.

We have entered into an investment advisory and management agreement with the Adviser, which we refer to as the Advisory Agreement. At a meeting of our Board of Directors held on July 12, 2011, our Board of Directors unanimously voted to approve the extension of the term of the Advisory Agreement through August 31, 2012. In reaching a decision to approve the Advisory Agreement, the Board of Directors reviewed a significant amount of information and considered, among other things:

the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;

the fee structures of comparable externally managed business development companies that engage in similar investing activities; and

various other matters.

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

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The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the rights, preferences and other terms of the Series 2016 Term Preferred Shares, see Description of the Series 2016 Term Preferred Stock in this prospectus supplement.

Issuer	Gladstone Capital Corporation
Listing	The Series 2016 Term Preferred Shares have been cleared for listing on the NYSE, subject to notice of official issuance of trading, under the symbol GLAD PR A. Trading on the Series 2016 Term Preferred Shares is expected to begin within 30 days after the date of initial delivery of the Series 2016 Term Preferred Shares. Prior to the expected commencement of trading on the NYSE, the underwriters do not intend to make a market in the Series 2016 Term Preferred Shares.
Securities Offered	_____ shares of _____ % Series 2016 Term Preferred Stock (_____ shares if the underwriters exercise their over-allotment option in full).
Liquidation Preference	\$25 per share, plus accrued but unpaid dividends, if any. In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series 2016 Term Preferred Shares will be entitled to receive a liquidation distribution per share equal to \$25 per share (which we refer to in this prospectus supplement as the Liquidation Preference), plus an amount equal to all accrued but unpaid dividends, if any, and distributions accumulated to (but excluding) the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest on any such distribution or payment. See Description of the Series 2016 Term Preferred Stock Liquidation Rights.
Dividends	<p>The Series 2016 Term Preferred Shares will pay a monthly dividend at a fixed annual rate of _____ % of the Liquidation Preference, or \$ _____ per share per year, which we refer to as the Fixed Dividend Rate. The Fixed Dividend Rate is subject to adjustment under certain circumstances, but will not in any case be lower than the Fixed Dividend Rate.</p> <p>Cumulative cash dividends or distributions on each Series 2016 Term Preferred Share will be payable monthly, when, as and if declared, or under authority granted, by our Board of Directors out of funds legally available for such payment. The first dividend period for the Series 2016 Term Preferred Shares will commence on the initial issuance date of such shares upon the closing of this offering, which we refer to as the Date of Original Issue, and will end on December 31, 2011.</p>
Ranking	<p>The Series 2016 Term Preferred Shares are senior securities that constitute capital stock of the Company.</p> <p>The Series 2016 Term Preferred Shares rank:</p>

senior to the Common Stock in priority of payment of dividends and as to the distribution of assets upon dissolution, liquidation or the winding-up of our affairs; and

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equal in priority with all other future series of preferred stock we may issue, which we refer to in this prospectus supplement, collectively with the Series 2016 Term Preferred Shares, as the Preferred Stock, as well as any other series of Term Preferred Shares (as such term is defined in the Articles Supplementary, the Term Preferred Stock) as to priority of payment of dividends and as to distributions of assets upon dissolution, liquidation or the winding-up of our affairs.

We may issue additional shares of Preferred Stock, but we may not issue additional classes of capital stock that rank senior or junior to the Series 2016 Term Preferred Shares (other than Common Stock) as to priority of payment of dividends and as to distribution of assets upon dissolution, liquidation or winding-up of our affairs. We may, however, borrow funds from banks and other lenders so long as the ratio of (1) the value of total assets less the total borrowed amounts to (2) the sum of all senior securities representing indebtedness and the outstanding Series 2016 Term Preferred Shares multiplied by \$25 per share, is not greater than 200%.

Term Redemption

We are required to redeem all outstanding Series 2016 Term Preferred Shares on December 31, 2016 at a redemption price equal to the Liquidation Preference plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series 2016 Term Preferred Shares on December 31, 2016 without the prior unanimous vote or consent of holders of the Series 2016 Term Preferred Shares. See Description of the Series 2016 Term Preferred Stock Redemption and Voting Rights.

Mandatory Redemption for Asset Coverage

If we fail to maintain an Asset Coverage ratio (as defined below) of at least 200% as of the close of business on any Business Day on which Asset Coverage is required to be calculated, and such failure is not cured by the close of business on the date that is 30 calendar days following such Business Day (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Preferred Stock equal to the lesser of (1) the minimum number of shares of Preferred Stock that will result in our having an Asset Coverage ratio of at least 200% and (2) the maximum number of shares of Preferred Stock that can be redeemed out of funds legally available for such redemption. Also, at our sole discretion, we may redeem such number of shares of Preferred Stock (including shares of Preferred Stock required to be redeemed) that will result in our having an Asset Coverage ratio of up to and including 285%. The Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series 2016 Term Preferred Shares and other series of Preferred Stock. If the Series 2016 Term Preferred Shares are to be redeemed in such an event, they will be redeemed at a redemption price

equal to their liquidation preference per share plus accumulated but unpaid dividends, if any, on such liquidation preference (whether

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or not declared, but excluding, interest on accrued but unpaid dividends, if any) to, but excluding, the date fixed for such redemption.

Asset Coverage for purposes of our Preferred Stock is a ratio calculated under Section 18(h) of the 1940 Act, as in effect on the date of the Articles Supplementary, and is determined on the basis of values calculated as of a time within two Business Days preceding each determination. We estimate that, on the Date of Original Issue, our Asset Coverage, based on the composition and value of our portfolio as of June 30, 2011, and after giving effect to (1) the issuance of the Series 2016 Term Preferred Shares offered in this offering and (2) the payment of underwriting discounts and commissions of \$ and estimated related offering costs payable by us of \$, will be . Our net investment income coverage, which is calculated by dividing our net investment income by the amount of distributions to holders of our Common Stock, averaged approximately 91.1% from September 30, 2008 through June 30, 2011. Net investment income coverage has varied each year since our inception, and there is no assurance that historical coverage levels will be maintained. See Description of the Series 2016 Term Preferred Stock Asset Coverage.

Optional Redemption

At any time on or after December 31, 2012, at our sole option, we may redeem the Series 2016 Term Preferred Shares in whole or from time to time, in part, out of funds legally available for such redemption, at a price per share equal to the sum of the Liquidation Preference plus (1) an initial premium of 1.00% of the Liquidation Preference (with such premium declining by 0.5% on the first and second anniversaries such that, by December 31, 2014, there will be no premium payable on any such redemption) and (2) an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. See Description of the Series 2016 Term Preferred Stock Redemption Optional Redemption. See Description of the Series 2016 Term Preferred Stock Redemption.

Voting Rights

Except as otherwise provided in our Articles of Amendment and Restatement to the Articles of Incorporation or as otherwise required by law, (1) each holder of Preferred Stock (including the Series 2016 Term Preferred Shares) will be entitled to one vote for each share of Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Preferred Stock and Common Stock will vote together as a single class; provided that holders of Preferred Stock, voting separately as a class, will elect at least two of our directors and will be entitled to elect a majority of our directors if we fail to pay dividends on any outstanding shares of Preferred Stock in an amount equal to two full years of dividends and continuing during that period until we correct that failure. Preferred Stock holders will also vote separately as a class on any matter that materially and adversely affects any preference, right or power of holders of Preferred Stock. See

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Conversion Rights	The Series 2016 Term Preferred Shares will have no conversion rights.
Use of Proceeds	We intend to use the net proceeds from this offering (after the payment of underwriting discounts and commissions of \$ and estimated expenses of the offering of approximately \$) to repay outstanding borrowings on our Credit Facility. See Use of Proceeds.
U.S. Federal Income Taxes	<p>Prospective investors are urged to consult their own tax advisors regarding these matters in light of their personal investment circumstances.</p> <p>We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to U.S. federal income tax.</p>
Risk Factors	Investing in the Series 2016 Term Preferred Shares involves risks. You should carefully consider the information set forth in the sections of this prospectus supplement and the accompanying prospectus entitled Risk Factors before deciding whether to invest in our Series 2016 Term Preferred Stock. See Risk Factors beginning on page S-8 of this prospectus supplement and page 8 of the accompanying prospectus.
Information Rights	During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any Series 2016 Term Preferred Shares are outstanding, we will provide holders of Series 2016 Term Preferred Shares, without cost, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions.
Redemption and Paying Agent	We have entered into an amendment to our Transfer Agency and Service Agreement with BNY Mellon Shareholder Services, LLC, which we refer to as the Redemption and Paying Agent in this prospectus supplement. Under this amendment, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series 2016 Term Preferred Shares.

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RISK FACTORS

You should carefully consider the risks described below, and the risks described in Risk Factors beginning on page 8 of the accompanying prospectus, before deciding to invest in the Series 2016 Term Preferred Shares. The risks and uncertainties described below and in the accompanying prospectus are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance and the value of the Series 2016 Term Preferred Shares. If any of the following risks or the risks described in the accompanying prospectus actually occur, our business, financial condition or results of operations could be materially adversely affected, and the value of the Series 2016 Term Preferred Shares may be impaired. If that happens, the trading price of the Series 2016 Term Preferred Shares could decline, and you may lose all or part of your investment.

Risks of Investing in Term Preferred Stock

An investment in term preferred stock with a fixed interest rate bears interest rate risk. Term preferred stock pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities comparable to the Series 2016 Term Preferred Shares may increase, which would likely result in a decline in the secondary market price of the Series 2016 Term Preferred Shares prior to the term redemption date. For additional information concerning dividends on the Series 2016 Term Preferred Shares, see Description of the Series 2016 Term Preferred Stock Dividends and Dividend Periods.

There will be no initial secondary trading market due to delayed listing, and even after listing a liquid secondary trading market may not develop. Because we have no prior trading history for exchange-listed Preferred Stock, we cannot predict the trading patterns of the Series 2016 Term Preferred Shares, including the effective costs of trading the stock. During a period of up to 30 days from the date of this prospectus supplement, the Series 2016 Term Preferred Shares will not be listed on any securities exchange. During this period, the underwriters do not intend to make a market in the Series 2016 Term Preferred Shares. Consequently, an investment in the Series 2016 Term Preferred Shares during this period will be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that a secondary market for the Series 2016 Term Preferred Shares will develop. If a secondary market does develop during this period, holders of the Series 2016 Term Preferred Shares may be able to sell such shares only at substantial discounts from the Liquidation Preference. The Series 2016 Term Preferred Shares have been cleared for listing on the NYSE, subject to notice of official issuance of trading. If we are unable to list the Series 2016 Term Preferred Shares on the NYSE or another national securities exchange, holders of such shares may be unable to sell them at all or, if they are able to, only at substantial discounts from the Liquidation Preference. Even if the Series 2016 Term Preferred Shares are listed on the NYSE as anticipated, there is a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features.

The Series 2016 Term Preferred Shares will not be rated. We do not intend to have the Series 2016 Term Preferred Shares rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, there is a risk that the Series 2016 Term Preferred Shares may trade at a price that is lower than they might otherwise trade if rated by a rating agency.

The Series 2016 Term Preferred Shares will bear a risk of early redemption by us. We may voluntarily redeem some or all of the Series 2016 Term Preferred Shares on or after December 31, 2012, and we may be forced to redeem some or all of the Series 2016 Term Preferred Shares to meet regulatory requirements and the Asset Coverage requirements

of such shares. Any such redemptions may occur at a time that is unfavorable to holders of the Series 2016 Term Preferred Shares. We may have an incentive to redeem the Series 2016 Term Preferred Shares voluntarily before the Term Redemption Date if market conditions allow us to issue other Preferred Stock or debt securities at a rate that is lower than the Fixed Dividend Rate on the Series 2016 Term Preferred Shares. For further information regarding our ability to redeem the Term Preferred Stock, see [Description of the Series 2016 Term Preferred Stock](#) [Redemption](#) and [Asset Coverage](#).

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Claims of holders of the Series 2016 Term Preferred Shares will be subject to a risk of subordination relative to holders of our debt instruments. Rights of holders of the Series 2016 Term Preferred Shares will be subordinated to the rights of holders of our indebtedness. Therefore, dividends, distributions and other payments to holders of Term Preferred Shares in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. In addition, under some circumstances the 1940 Act may provide debt holders with voting rights that are superior to the voting rights of holders of the Series 2016 Term Preferred Shares.

We are subject to risks related to the general credit crisis and related liquidity risks. General market uncertainty and extraordinary conditions in the credit markets may impact the liquidity of our investment portfolio. In turn, during extraordinary circumstances, this uncertainty could impact our distributions and/or ability to redeem the Series 2016 Term Preferred Shares in accordance with their terms. Further, there may be market imbalances of sellers and buyers of Series 2016 Term Preferred Shares during periods of extreme illiquidity and volatility in the credit markets. Such market conditions may lead to periods of thin trading in any secondary market for the Series 2016 Term Preferred Shares and may make valuation of the Series 2016 Term Preferred Shares uncertain. As a result, the spread between bid and ask prices is likely to increase significantly such that an investor in the Series 2016 Term Preferred Shares may have difficulty selling his or her shares. Less liquid and more volatile trading environments could also result in sudden and significant valuation declines in the Series 2016 Term Preferred Shares.

Holders of the Series 2016 Term Preferred Shares will be subject to inflation risk. Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted, or real, value of an investment in Term Preferred Stock or the income from that investment will be worth less in the future. As inflation occurs, the real value of the Series 2016 Term Preferred Shares and dividends payable on such shares declines.

Holders of the Series 2016 Term Preferred Shares will bear reinvestment risk. Given the five-year term and potential for early redemption of the Series 2016 Term Preferred Shares, holders of such shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of the Series 2016 Term Preferred Shares may be lower than the return previously obtained from the investment in such shares.

Holders of Series 2016 Term Preferred Shares will bear dividend risk. We may be unable to pay dividends on the Series 2016 Term Preferred Shares under some circumstances. The terms of our indebtedness preclude the payment of dividends in respect of equity securities, including the Series 2016 Term Preferred Shares, under certain conditions.

We face Asset Coverage risks in our investment activities. The Asset Coverage that we maintain on the Term Preferred Stock will be based upon a calculation of the value of our portfolio holdings. A large percentage of our portfolio investments are, and we expect will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded is generally not readily determinable. Our Board of Directors has established an investment valuation policy and consistently applied valuation procedures to determine the fair value of these securities on a quarterly basis. The procedures for the determination of value of many of our debt securities rely on opinions of value submitted to us by Standard & Poor's Securities Evaluations, Inc., or SPSE, the use of internally developed discounted cash flow, or DCF, methodologies, or internal methodologies based on the total enterprise value, or TEV, of the issuer, which we use for certain of our equity investments. SPSE will only evaluate the debt portion of investments for which we specifically request an evaluation, and SPSE may decline to provide requested evaluations for any reason in its sole discretion.

A portion of our assets are, and will continue to be, comprised of equity securities that are valued based on internal assessment using valuation methods approved by our Board of Directors, without the input of SPSE or any other third-party evaluator. While we believe that our equity valuation methods reflect those regularly used as standards by

other professionals in our industry who value equity securities, the determination of fair value for securities that are not publicly traded necessarily involves an exercise of subjective judgment, whether or not we obtain the recommendations of an independent third-party evaluator.

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Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or SPSE, or determined using TEV or the DCF methodology. As a result, a risk exists that the Asset Coverage attributable to the Preferred Stock, including the Series 2016 Term Preferred Shares, may be materially lower than what is calculated based upon the fair valuation of our portfolio securities in accordance with our valuation policies. See **Risk Factors** **Risks Related to Our Investments** Because a large percentage of the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our net asset value on page 15 of the accompanying prospectus.

There is a risk of delay in our redemption of the Series 2016 Term Preferred Shares, and we may fail to redeem such securities as required by their terms. We will generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to obtain cash equal to the value at which we record our investments quickly if a need arises. If we are unable to obtain sufficient liquidity prior to the Term Redemption Date, we may be forced to engage in a partial redemption or to delay a required redemption. If such a partial redemption or delay were to occur, the market price of the Series 2016 Term Preferred Shares might be adversely affected.

We finance our investments with borrowed money and senior securities, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to common stockholder(1)	(16.5)%	(9.3)%	(2.1)%	5.1%	12.4%

- (1) The hypothetical return to common stockholders is calculated by multiplying our total assets as of June 30, 2011 by the assumed rates of return and subtracting all interest accrued on our debt, adjusted for the assumed dividends declared on the preferred stock to be issued in this offering; and then dividing the resulting difference by our total assets attributable to common stock. Based on \$314.1 million in total assets, \$92.2 million in debt outstanding and \$217.5 million in net assets as of June 30, 2011.

Based on our outstanding indebtedness of \$92.2 million as of June 30, 2011 and the effective annual interest rate of 5.5% as of that date, our investment portfolio at fair value would have been required to experience an annual return of at least 2.7% to cover annual interest payments on the outstanding debt.

Other Risks

In addition to regulatory limitations on our ability to raise capital, our Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions.

We will have a continuing need for capital to finance our loans. We are party to the Credit Facility, which provides us with a revolving credit line facility of \$137.0 million, of which \$92.2 million was drawn as of June 30, 2011. The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement. As a result of the Credit Facility, we are subject to certain limitations on the type of loan investments we make, including restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment frequency and status, and average life. The credit agreement also requires us to comply with other financial and operational covenants, which require us

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to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum net worth. As of September 30, 2010, we were in compliance with these covenants; however, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Current market conditions have forced us to write down the value of a portion of our assets as required by the 1940 Act and fair value accounting rules. These are not realized losses, but constitute adjustment in asset values for purposes of financial reporting and for collateral value for the Credit Facility. As assets are marked down in value, the amount we can borrow on the Credit Facility decreases.

In particular, depreciation in the valuation of our assets, which valuation is subject to changing market conditions that remain very volatile, affects our ability to comply with these covenants. As of June 30, 2011, our net assets were \$217.5 million and we currently estimate that our net assets had declined to approximately \$212.8 million as of September 30, 2011, down from \$249.2 million as of September 30, 2010, primarily as a result of unrealized depreciation over the nine months. The minimum net worth covenant contained in the credit agreement requires our net assets to be at least \$200.0 million. Given the continued deterioration in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under the Credit Facility. Accordingly, there are no assurances that we will continue to comply with these covenants. Under the Credit Facility, we are also required to maintain our status as a BDC under the 1940 Act and as a RIC under the Code. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

further adverse changes in the economy and the capital markets;

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

the loss of one or more of our executive officers, in particular David Gladstone, Terry Lee Brubaker or George Stelljes III;

changes in our business strategy;

availability, terms and deployment of capital;

changes in our industry, interest rates, exchange rates or the general economy;

the degree and nature of our competition; 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. 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.

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We estimate that the net proceeds to us of this offering will be approximately \$, after deducting the payment of underwriting discounts and commissions of \$ and estimated offering expenses of \$ payable by us. We intend to use the net proceeds from this offering to repay a portion of our outstanding borrowings under the Credit Facility. Our Credit Facility matures on March 15, 2012 and, as of June 30, 2011, was accruing interest at an annual rate equal to the London Interbank Offered Rate, or LIBOR (subject to a minimum rate 1.5%), plus a premium of 3.75%. As of June 30, 2011, \$92.2 million was drawn on the Credit Facility.

We have granted the underwriters the right to purchase up to additional Series 2016 Term Preferred Shares at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement solely to cover over-allotments, if any. If the underwriters exercise such option in full, the estimated net proceeds to us will be \$. We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of the offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

	For the Nine Months Ended June 30, 2011	2010	For the Year Ended September 30,			
			2009	2008	2007	2006
			(Dollars in thousands)			
Net investment income	\$ 13,600	\$ 17,759	\$ 21,031	\$ 26,553	\$ 22,261	\$ 19,351
Add: fixed charges	2,356	5,891	10,738	9,830	7,505	3,392
Less: preferred distributions						
Earnings	\$ 15,956	\$ 23,650	\$ 31,769	\$ 36,383	\$ 29,766	\$ 22,743
Fixed Charges:						
Interest expense	\$ 1,316	4,390	7,949	8,284	7,226	3,239
Amortization of deferred financing fees	1,032	1,490	2,778	1,534	267	140
Estimated interest component of rent	8	11	11	12	12	13
Preferred distributions						
Total fixed charges and preferred distributions	\$ 2,356	5,891	10,738	9,830	7,505	3,392
Ratio of earnings to combined fixed charges and preferred distributions	6.8x	4.0x	3.0x	3.7x	4.0x	6.7x

Computation of Pro Forma Ratio of Earnings to
Combined Fixed Charges and Preferred Dividends for
the Nine Months ended June 30, 2011
After Adjustment for issuance of Preferred Stock

Net Investment Income	\$ 13,600
Fixed Charges, as above	\$ 2,356
Adjustments:	
Pro Forma Reduction of Interest Expense	
Pro forma fixed charges	
Pro forma preferred dividends	
Total pro forma fixed charges and preferred dividends	
Pro forma earnings	\$
Pro forma ratio of earnings to combined fixed charges and preferred dividends	

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The following table sets forth our capitalization as of June 30, 2011:

on an actual basis; and

on a pro forma basis to give pro forma effect to the completion of this offering and the application of the estimated net proceeds of the offering, after deducting underwriters' discounts and commissions and estimated offering expenses payable by us (and assuming the underwriters' overallotment option is not exercised).

	As of June 30, 2011	
	Actual	Pro Forma
	(Unaudited)	
	(Dollars in thousands)	
Borrowings		
Borrowings under line of credit, fair value (cost: \$92,200)	\$ 92,700	\$
Preferred Stock		
Term Preferred Shares, 7% Series 2016, \$0.001 par value per share; \$25 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 1,000,000 shares authorized, 1,000,000 shares issued and outstanding, pro forma*	\$	\$
Net Assets Applicable to Common Stockholders		
Common stock, \$0.001 par value per share, 50,000,000 shares authorized, actual, and 50,000,000 shares authorized, as adjusted; 21,039,242 shares issued and outstanding, actual and pro forma*	\$ 21	\$
Capital in excess of par value**	326,935	
Notes receivable - employees	(4,998)	
Net unrealized depreciation on investments	(75,911)	
Net unrealized appreciation on borrowings	(500)	
Overdistributed net investment income	(758)	
Accumulated net realized losses	(27,253)	
Total Net Assets Available to Common Stockholders	\$ 217,536	\$
Total Capitalization	\$ 310,236	\$

* None of these outstanding shares are held by us or for our account.

** Assumes a total of \$ 1,000,000 of aggregate underwriting discounts and commissions and \$ 1,000,000 of estimated offering costs payable by us in connection with this offering will be capitalized and amortized over the life of the Series 2016 Term Preferred Shares.

The following are our outstanding classes of securities as of June 30, 2011:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by us or for Our Account	(4) Amount Outstanding Exclusive of Amounts Shown Under(3)
Common Stock	50,000,000		21,039,242
Preferred Stock	0		

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increase in assets resulting from operations									
per share (1):									
(decrease in assets resulting from operations)									
per share of common stock									
2017	\$ (0.98)	\$ 0.60	\$ (0.78)	\$ (0.18)	\$ (1.08)	\$ 1.13	\$ 2.13	\$ 1.13	\$ 2.13
2016	(0.98)	0.60	(0.78)	(0.18)	(1.08)	1.13	2.13	1.13	2.13
Investment income (before net investments gain)									
per share of common stock									
2017	0.65	0.63	0.84	1.00	1.35	1.69	1.77	1.69	1.77
2016	0.65	0.63	0.84	1.00	1.35	1.69	1.69	1.69	1.69
Dividends declared per share	(0.63)	(0.63)	(0.84)	(1.26)	(1.68)	(1.68)	(1.68)	(1.68)	(1.68)
Investment assets									
Liabilities:									
Total assets	\$ 314,130	\$ 283,586	\$ 270,518	\$ 335,910	\$ 425,698	\$ 367,729	\$ 225,788	\$ 367,729	\$ 225,788
Total liabilities	217,536	248,429	249,246	249,076	271,748	220,959	172,577	220,959	172,577
Net asset value per share of common stock	10.34	11.81	11.85	11.81	12.89	14.97	14.00	14.97	14.00
Shares of common stock outstanding	21,039,242	21,039,242	21,039,242	21,087,574	21,087,574	14,762,574	12,305,000	14,762,574	12,305,000

Weighted Average Number of Common Shares Outstanding	21,039,242	21,067,465	21,060,351	21,087,574	19,699,796	13,173,822	11,381,377
Weighted Average Number of Common Shares Outstanding for Dilution Purposes	21,039,242	21,067,465	21,060,351	21,087,574	19,699,796	13,173,822	11,615,922
Net Income	\$ 92,700	\$ 30,656	\$ 17,940	\$ 83,350	\$ 151,030	\$ 144,440	\$ 49,990
Net Income per Share	336%	893%	1,419%	396%	279%	252%	44%
Net Income per Share for Dilution	\$ 3,358	\$ 8,931	\$ 14,187	\$ 3,963	\$ 2,792	\$ 2,294	\$ 4,430

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- (1) Per share data for net (decrease) increase in net assets resulting from operations are based on the weighted average shares of Common Stock outstanding for both basic and diluted.
- (2) See Interim Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement for more information regarding our level of indebtedness.
- (3) As a business development company, we are generally required to maintain an Asset Coverage ratio of 200% of total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to total borrowings and guaranty commitments.
- (4) Asset coverage per unit is the Asset Coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.

	Nine Months Ended June 30,		Year Ended September 30,				
	2011	2010	2010	2009	2008	2007	2006
	(Dollar amounts in thousands)						

	Nine Months Ended June 30,		Year Ended September 30,				
	2011	2010	2010	2009	2008	2007	2006
	(Dollar amounts in thousands)						
Other unaudited data:							
Number of portfolio companies	57	40	39	48	63	56	32
Average size of portfolio company investment at cost	\$ 6,582	\$ 7,747	\$ 7,647	\$ 7,592	\$ 7,315	\$ 6,352	\$ 6,756
Principal amount of new investments	(118,646)	(8,337)	(23,245)	(24,911)	(176,550)	(261,700)	(135,955)
Proceeds from loan repayments and investments sold	39,855	56,900	85,634	96,693	70,482	121,818	124,010
Weighted average yield on investments(1):	11.22%	10.94%	9.88%	9.82%	10.00%	11.22%	12.08%
Total return(2)	(13.24)	29.42	37.46	(30.94)	(13.90)	(4.40)	5.21

- (1) Weighted average yield on investments equals interest income on investments divided by the annualized weighted average investment balance throughout the year.

- (2) Total return equals the increase (decrease) of the ending market value over the beginning market value plus monthly distributions divided by the monthly beginning market value.

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FINANCIAL CONDITION AND RESULTS OF OPERATIONS****(Dollar amounts in thousands, except per share data or unless otherwise indicated)**

You should read the following analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and in the accompanying prospectus.

OVERVIEW**Investment Highlights**

Purchases: During the nine months ended June 30, 2011, we extended \$101.1 million of investments to twenty-five new portfolio companies and \$17.6 million of investments to existing portfolio companies through revolver draws or the additions of new term notes or equity investments, for total investments of \$118.7 million.

Repayments: During the nine months ended June 30, 2011, six borrowers made unscheduled payoffs in the aggregate amount of \$26.8 million, and we experienced contractual amortization, revolver repayments and received principal payments ahead of schedule in the aggregate amount of \$13.0 million, for total principal repayments of \$39.8 million.

Sales: During the nine months ended June 30, 2011, we sold one Non-Control/Non-Affiliate investment and partially sold one of our Control investments for aggregate net proceeds of \$0.8 million.

RESULTS OF OPERATIONS*Comparison of the Nine Months Ended June 30, 2011 to the Nine Months Ended June 30, 2010*

	For the Nine Months Ended June 30,			
	2011	2010	\$ Change	% Change
INVESTMENT INCOME				
Interest income	\$ 23,673	\$ 25,220	\$ (1,547)	(6.1)%
Other income	1,714	2,367	(653)	(27.6)
Total investment income	25,387	27,587	(2,200)	(8.0)
EXPENSES				
Loan servicing fee	2,413	2,600	(187)	(7.2)
Base management fee	1,751	2,118	(367)	(17.3)
Incentive fee	3,395	1,601	1,794	112.1
Administration fee	535	540	(5)	(0.9)
Interest expense	1,316	3,562	(2,246)	(63.1)
Amortization of deferred financing fees	1,032	1,182	(150)	(12.7)
Professional fees	894	1,632	(738)	(45.2)

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Other expenses	799	1,142	(343)	(30.0)
Expenses before credit from Adviser	12,135	14,377	(2,242)	(15.6)
Credits to fees from Adviser	(348)	(120)	(228)	(190.0)
Total expenses net of credits to fees from Adviser	11,787	14,257	(2,470)	(17.3)
NET INVESTMENT INCOME	13,600	13,330	270	2.0
REALIZED AND UNREALIZED (LOSS) GAIN ON:				
Net realized gain (loss) on investments	3	(2,893)	2,896	NM
Net unrealized (depreciation) appreciation on investments	(34,803)	3,525	(38,328)	NM
Net unrealized appreciation on borrowings	640	(1,405)	2,045	NM
Net loss on investments and borrowings	(34,160)	(773)	(33,387)	NM
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (20,560)	\$ 12,557	\$ (33,117)	NM

NM = Not Meaningful

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Interest income from our investments in debt securities decreased for the nine months ended June 30, 2011, as compared to the nine months ended June 30, 2010, for several reasons. The level of interest income from investments is directly related to the balance, at cost, of the interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average cost basis of our interest-bearing investment portfolio during the nine months ended June 30, 2011 was approximately \$277.9 million, compared to approximately \$304.2 million for the prior year period, primarily due to increased principal repayments subsequent to June 30, 2010. This decrease in interest income was partially offset by an increase to the annualized weighted average yield on our interest-bearing investment portfolio for the nine months ended June 30, 2011, which was 11.2%, compared to 10.9% for the prior year period. The weighted average yield varies from period to period based on the current stated interest rate on interest-bearing investments. The increase in the weighted average yield on our portfolio for the nine months ended June 30, 2011 resulted primarily from the repayment of loans with lower stated interest rates and the restructuring of certain loans into higher interest rate loans, partially offset by the purchase of syndicated loans, which generally bear lower interest rates than our existing proprietary debt investments. During the nine months ended June 30, 2011, six investments were on non-accrual, for an aggregate of approximately \$30.7 million at cost, or 8.2% of the aggregate cost of our investment portfolio, and during the prior year period, six investments were on non-accrual, for an aggregate of approximately \$29.4 million at cost, or 9.5% of the aggregate cost of our investment portfolio.

Other income decreased for the nine months ended June 30, 2011, as compared to the prior year period, primarily due to success fees earned in the aggregate of \$1.7 million from exits in Doe & Ingalls Management LLC, Tulsa Welding School, ActivStyle Acquisition Co., Saunders & Associates, Visual Edge Technology, Inc. and a prepayment by Northern Contours, Inc. of their success fee, and prepayment fees in the aggregate of \$0.5 million from ActiveStyle Acquisition Co., ACE Expeditors, Inc. and VantaCore during the nine months ended June 30, 2010, partially offset by the receipts in the aggregate of \$1.0 million in settlements related, in part, to US Healthcare Communications, Inc. and Badanco Acquisition Corp., and success fees in the aggregate of \$0.6 million from our exits in Pinnacle Treatment Centers, Inc. and Interfilm Holdings, Inc. during the nine months ended June 30, 2011.

The following tables list the interest income from investments for our five largest portfolio company investments during the respective periods:

Company	As of June 30, 2011		Nine Months Ended June 30, 2011	
	Fair Value	% of Portfolio	Interest Income	% of Total Revenues
Reliable Biopharmaceutical Holdings, Inc.	\$ 25,605	8.6%	\$ 2,266	9.6%
Westlake Hardware, Inc.	19,440	6.5	1,934	8.2
Midwest Metal Distribution, Inc. (formerly Clinton Holdings, LLC)	16,727	5.6	1,670	7.0
CMI Acquisition, LLC	14,247	4.8	559	2.4
Winchester Electronics Co.	12,591	4.2	1,169	4.9
Subtotal five largest investments	88,610	29.7	7,598	32.1
Other portfolio companies	210,669	70.3	15,728	66.4
Other non-portfolio company revenue			347	1.5

Total investment portfolio	\$ 299,279	100.0%	\$ 23,673	100.0%
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Company	As of June 30, 2010		Nine Months Ended June 30, 2010	
	Fair Value	% of Portfolio	Interest Income	% of Total Revenues
Sunshine Media Holdings	\$ 26,624	9.9%	\$ 2,498	9.9%
Reliable Biopharmaceutical Holdings, Inc.	26,521	9.8	2,230	8.8
Westlake Hardware, Inc.	24,463	9.1	2,181	8.6
Midwest Metal Distribution, Inc. (formerly Clinton Holdings, LLC)	13,369	5.0	1,556	6.2
GFRC Holdings, LLC	12,624	4.7	1,076	4.3
Subtotal five largest investments	103,601	38.5	9,541	37.8
Other portfolio companies	166,365	61.5	15,349	60.9
Other non-portfolio company revenue			330	1.3
Total investment portfolio	\$ 269,966	100.0%	\$ 25,220	100.0%

Operating Expenses

Operating expenses, net of credits from our Adviser for fees earned and voluntary and irrevocable waivers applied to the base management and incentive fees, decreased for the nine months ended June 30, 2011, as compared to the prior year period. This reduction was primarily due to a decrease in interest expense subsequent to June 30, 2010, and the amortization of deferred financing fees incurred in connection with the Credit Facility during the nine months ended June 30, 2010, coupled with a decrease in the base management fee and professional fees, which were partially offset by an increase in the incentive fee during the nine months ended June 30, 2011.

Interest expense decreased for the nine months ended June 30, 2011, as compared to the prior year period, primarily due to decreased borrowings under the Credit Facility in the first six months of the current fiscal year and the reversal of \$0.6 million of a minimum earnings shortfall fee during the nine months ended June 30, 2011. The weighted average balance outstanding on the Credit Facility during the nine months ended June 30, 2011, was approximately \$32.6 million, as compared to \$56.9 million in the prior year period, a decrease of 42.7%. On November 22, 2010, we amended the Credit Facility to provide that advances bear interest at LIBOR subject to a minimum annual rate of 1.5%, plus 3.75%. Under our prior credit facility and our pre-amended Credit Facility, advances generally bore interest at LIBOR subject to a minimum annual rate of 2.0%, plus 4.5%. In addition to the lower interest rate, the Amendment removed the annual minimum earnings shortfall fee to the committed lenders.

Amortization of deferred financing fees decreased for the nine months ended June 30, 2011, as compared to the prior year period, due to significant one-time costs related to the termination of our prior credit facility and transition to the Credit Facility, resulting in increased amortization of deferred financing fees during the nine months ended June 30, 2010, when compared to the nine months ended June 30, 2011.

Professional fees decreased for the nine months ended June 30, 2011, as compared to the prior year period, primarily due to legal fees incurred in connection with troubled loans during the nine months ended June 30, 2010.

The base management fee decreased for the nine months ended June 30, 2011, as compared to the prior year period, which is reflective of holding less total assets subject to the base management fee, compared to the prior year period. The incentive fee earned by our Adviser increased for the nine months ended June 30, 2011, as compared to the prior year period, primarily due to decreased interest expense, partially offset by a decrease in interest income earned. The incentive fee earned during the prior year period was due in part to

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other income generated from multiple exits. The base management and incentive fees are computed quarterly and are summarized in the following table:

	Nine Months Ended June 30,	
	2011	2010
Average total assets subject to base management fee(1)	\$ 277,600	\$ 314,533
Multiplied by pro-rated annual base management fee of 2.0%	1.5%	1.5%
Unadjusted base management fee	\$ 4,164	\$ 4,718
Reduction for loan servicing fees(2)	(2,413)	(2,600)
Base management fee(2)	1,751	2,118
Credit for fees received by Adviser from the portfolio companies	(77)	
Fee reduction for the voluntary, irrevocable waiver of 2.0% fee on senior syndicated loans to 0.5% per annum	(250)	(19)
Net base management fee	\$ 1,424	\$ 2,099
Incentive fee(2)	\$ 3,395	\$ 1,601
Credit from voluntary, irrevocable waiver issued by Adviser's board of directors	(21)	(101)
Net incentive fee	\$ 3,374	\$ 1,500
Fee reduction for the voluntary, irrevocable waiver of 2.0% fee on senior syndicated loans to 0.5% per annum	(250)	(19)
Credit for fees received by Adviser from the portfolio companies	(77)	
Incentive fee credit	(21)	(101)
Credit to base management and incentive fees from Adviser(2)	\$ (348)	\$ (120)

(1) 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 and cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and appropriately adjusted for any share issuances or repurchases during the periods.

(2) Reflected as a line item on the *Condensed Consolidated Statement of Operations*.

Net Realized Gain (Loss) on Investments

There were \$3 in net realized gains for the nine months ended June 30, 2011, primarily due to realized gains from unamortized discounts on exits during the period, partially offset by realized losses in connection with workout expenditures related to the Sunshine Media Holdings restructure. Net realized losses on investments for the nine months ended June 30, 2010 was \$2.9 million, which consisted of \$4.3 million of losses from the Kinetek Acquisition Corp and Wesco Holdings, Inc. syndicated loan sales, Western Directories, Inc. write-off and CCS, LLC payoff, offset

in part by a \$1.4 million gain from ACE Expeditors, Inc. payoff.

Net Unrealized (Depreciation) Appreciation on Investments

Net unrealized (depreciation) appreciation on 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, 2011, we recorded net unrealized depreciation on investments in the aggregate amount of \$34.8 million. During the prior year period, we recorded net unrealized appreciation on investments in the aggregate amount of \$3.5 million, which included the reversal of \$6.3 million in unrealized appreciation related to the payoff of Wesco Holdings, Inc., Kinetek Acquisition Corp and Western Directories, Inc. Excluding reversals, we had \$2.8 million in net unrealized depreciation for the nine months ended June 30, 2010. The net

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unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2011 was as follows:

Nine Months Ended June 30, 2011		
Portfolio Company	Investment Classification	Net Unrealized Appreciation (Depreciation)
Defiance Integrated Technologies, Inc.	Control	\$ 2,947
Midwest Metal Distribution, Inc.	Control	1,182
Puerto Rico Cable Acquisition Company, Inc.	Non-Control/Non-Affiliate	732
WP Evenflo Group Holdings, Inc.	Non-Control/Non-Affiliate	352
Sunshine Media Holdings	Control	(18,360)
Newhall Holdings, Inc.	Non-Control/Non-Affiliate	(8,814)
Lindmark Acquisition, LLC	Control	(3,852)
Viapack, Inc.	Non-Control/Non-Affiliate	(3,376)
GFRC Holdings LLC	Non-Control/Non-Affiliate	(1,390)
SCI Cable, Inc.	Non-Control/Non-Affiliate	(785)
Heartland Communications Group	Non-Control/Non-Affiliate	(754)
Access Television Network, Inc.	Non-Control/Non-Affiliate	(659)
Legend Communications of Wyoming LLC	Non-Control/Non-Affiliate	(655)
Sunburst Media Louisiana, LLC	Non-Control/Non-Affiliate	(567)
International Junior Golf Training Acquisition Company	Non-Control/Non-Affiliate	(544)
LocalTel, LLC	Control	(386)
Other, net (<\$250)		126
	Total:	\$ (34,803)

The largest driver of our net unrealized depreciation for the nine months ended June 30, 2011 was the depreciation in each of Sunshine Media Holdings and Newhall Holdings Inc., primarily due to portfolio company performance and certain comparable multiples, partially offset by appreciation in Defiance Integrated Technologies, Inc., which was as a result of an improvement in portfolio company performance and in certain comparable multiples.

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The unrealized appreciation (depreciation) across our investments for the nine months ended June 30, 2010 was as follows:

Nine Months Ended June 30, 2010		Net Unrealized Appreciation (Depreciation)
Portfolio Company	Investment Classification	
Western Directories, Inc.	Control	\$ 2,819(1)
Visual Edge Technology, Inc.	Non-Control/Non-Affiliate	1,716(2)
BAS Broadcasting	Non-Control/Non-Affiliate	1,229
Westlake Hardware, Inc.	Non-Control/Non-Affiliate	794
WP Evenflo Group Holdings, Inc.	Non-Control/Non-Affiliate	674
Puerto Rico Cable Acquisition Company, Inc.	Non-Control/Non-Affiliate	582
Northern Contours, Inc.	Non-Control/Non-Affiliate	562
Kinetek Acquisition Corp.	Non-Control/Non-Affiliate	513
CCS, LLC	Non-Control/Non-Affiliate	505(3)
Pinnacle Treatment Centers, Inc.	Non-Control/Non-Affiliate	434
Wesco Holdings, Inc.	Non-Control/Non-Affiliate	408
Allison Publications, LLC	Non-Control/Non-Affiliate	388
Gold Toe Investment Corp	Non-Control/Non-Affiliate	280
Lindmark Acquisition, LLC	Control	(3,363)
LocalTel, LLC	Control	(1,412)
Legend Communications of Wyoming LLC	Non-Control/Non-Affiliate	(1,283)
Defiance Integrated Technologies, Inc.	Control	(816)
Finn Corporation	Non-Control/Non-Affiliate	(755)
KMBQ Corporation	Non-Control/Non-Affiliate	(609)
SCI Cable, Inc.	Non-Control/Non-Affiliate	(467)
Sunshine Media Holdings	Non-Control/Non-Affiliate	(326)
Other, net (<\$250)		1,652
Total:		\$ 3,525

- (1) Reflects the reversal of \$2.9 million in unrealized depreciation in connection with the write-off of the investment.
- (2) Reflects the reversal of \$1.7 million in unrealized depreciation in connection with payoff of the line of credit and senior subordinated term loan of Visual Edge Technology, Inc.
- (3) Reflects the reversal of the unrealized depreciation in connection with the \$0.3 million realized loss on the sale of CCS, LLC.

Excluding reversals, a general increase in our net unrealized depreciation for the nine months ended June 30, 2010 was experienced by our control investments, partially offset by increased unrealized appreciation in our Non-Control/Non-Affiliate portfolio of debt holdings, based on increases in market comparables and improved portfolio company performance.

Over our entire investment portfolio, we recorded an aggregate net unrealized depreciation of approximately \$36.4 million on our debt positions for the nine months ended June 30, 2011, while our equity holdings experienced an aggregate net unrealized appreciation of approximately \$1.6 million. At June 30, 2011, the fair value of our investment portfolio was less than its cost basis by approximately \$75.9 million, or 79.8% of cost, as compared to \$41.1 million, or 86.2%, of cost at September 30, 2010, representing net unrealized depreciation of \$34.8 million for the period. We believe that our aggregate investment portfolio was valued at a depreciated value primarily due to reduced performance by certain portfolio companies and the general

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instability of the loan markets and resulting decrease in market multiples relative to where multiples were when we originated such investments in our portfolio. The unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution to stockholders.

Net Unrealized Appreciation on Borrowings

Net unrealized appreciation on borrowings represents the net change in the fair value of our line of credit borrowings during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains and losses are realized. We elected to apply ASC 825, Financial Instruments, which requires us to apply a fair value methodology to the Credit Facility. We estimated the fair value of the Credit Facility using a combination of estimates of value provided by an independent third party and our own assumptions in the absence of observable market data, including estimated remaining life, credit party risk, current market yield and interest rate spreads of similar securities as of the measurement date. The Credit Facility was fair valued at \$92.7 million as of June 30, 2011.

Net (Decrease) Increase in Net Assets Resulting from Operations

For the nine months ended June 30, 2011, we realized a net decrease in net assets resulting from operations of \$20.6 million as a result of the factors discussed above. For the nine months ended June 30, 2010, we realized a net increase in net assets resulting from operations of \$12.6 million. Our net (decrease) increase in net assets resulting from operations per basic and diluted weighted average common share for the nine months ended June 30, 2011 and June 30, 2010 were \$(0.98) and \$0.60, respectively.

LIQUIDITY AND CAPITAL RESOURCES**Operating Activities**

Net cash used in operating activities for the nine months ended June 30, 2011 was \$63.4 million and consisted primarily of disbursements of \$118.6 million in investments, partially offset by principal repayments of \$39.9 million and net unrealized depreciation of \$34.8 million. Net cash provided by operating activities for the nine months ended June 30, 2010 was \$70.0 million and consisted primarily of principal repayments of \$56.9 million.

At June 30, 2011, we had investments in equity of, loans to, or syndicated participations in, 57 private companies with an aggregate cost basis of approximately \$375.2 million. At September 30, 2010, we had investments in equity of, loans to, or syndicated participations in, 39 private companies with an aggregate cost basis of approximately \$298.2 million. The following table summarizes our total portfolio investment activity during the nine months ended June 30, 2011 and 2010:

	Nine Months Ended June 30,	
	2011	2010
Beginning investment portfolio at fair value	\$ 257,109	\$ 320,969
New investments	101,053	580
Disbursements to existing portfolio companies	17,593	7,757
Principal repayments	(39,855)	(56,951)
Proceeds from sales	(777)	(3,119)
Increase in investment balance due to PIK	12	62

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Increase in investment balance due to transferred interest	204	1,230
Net unrealized depreciation	(34,803)	(2,777)
Reversal of prior period depreciation on realization		6,302
Net realized gain (loss)	163	(2,893)
Net change in premiums, discounts and amortization	(1,420)	(479)
Loan impairment/contra-investment		(715)
Ending investment portfolio at fair value	\$ 299,279	\$ 269,966

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The following table summarizes the contractual principal repayments and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, at June 30, 2011.

	Amount
For the remaining three months ending September 30:	
2011	\$ 9,246
For the fiscal year ending September 30:	
2012	55,833
2013	131,987
2014	29,889
2015	33,154
2016 and thereafter	110,508
Total contractual repayments	\$ 370,617
Investments in equity securities	6,734
Adjustments to cost basis on debt securities	(2,161)
Total cost basis of investments held at June 30, 2011:	\$ 375,190

Financing Activities

Net cash provided by financing activities for the nine months ended June 30, 2011 was \$63.5 million and consisted primarily of net borrowings from the Credit Facility of \$75.4 million, partially offset by distributions to stockholders of \$13.3 million. Net cash used in financing activities for the nine months ended June 30, 2010 was \$68.8 million and mainly consisted of net payments on the Credit Facility of \$54.1 million, distributions to stockholders of \$13.3 million and \$1.4 million in financing fees related to the Credit Facility.

Distributions

To qualify as a RIC and, therefore, avoid corporate level tax on the income we distribute to our stockholders, we are required under Subchapter M of the Code to distribute at least 90% of our ordinary income and short-term capital gains to our stockholders on an annual basis. In accordance with these requirements, we declared and paid monthly cash distributions of \$0.07 per common share for each of April, May and June 2011. In July 2011, our Board of Directors declared a monthly distribution of \$0.07 per common share for each of July, August and September 2011. We declared these distributions based on our estimates of net taxable income for the fiscal year.

For the quarter ended June 30, 2011, please refer to *Section 19(a) Notice* below for estimated tax characterization. For the fiscal year ended September 30, 2010, which includes the three months ended June 30, 2010, our distribution payments were approximately \$17.7 million. We declared these distributions based on our estimates of net taxable income for the fiscal year. Our investment pace was slower than expected and, consequently, our net taxable income was lower than our original estimates. Of the distributions declared during fiscal 2010, 4.4% were treated as a return of capital to our stockholders, with the remaining portion being treated as ordinary income.

Section 19(a) Notice

Our Board of Directors estimates the source of the distributions at the time of their declaration, as required by Section 19(a) of the 1940 Act. On a monthly basis, if required under Section 19(a), we post a Section 19(a) notice through the Depository Trust Company's Legal Notice System and also send to our registered stockholders a written Section 19(a) notice along with the payment of distributions for any payment which includes a distribution estimated to be paid from any source other than accumulative net investment income during the fiscal year. The estimates of the source of the distribution are interim estimates based on accounting principles generally accepted in the United States, or GAAP, that are subject to revision, and the exact character of the distributions for tax purposes cannot be determined until our books and records are finalized for the calendar year. Following the calendar year end, after we have determined definitive

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information, if we have made distributions of taxable income (or return of capital), we will deliver a Form 1099-DIV to our stockholders specifying such amount and the tax characterization of such amount. Therefore, these estimates are made solely to comply with the requirements of Section 19(a) of the 1940 Act and should not be relied upon for tax reporting or any other purposes and could differ significantly from the actual character of distributions for tax purposes.

Equity

On October 20, 2009, we filed a registration statement on Form N-2 (File No. 333-162592), that was declared effective by the SEC on January 28, 2010, and we filed a fourth post-effective amendment to such registration statement on July 13, 2011, which was declared effective by the SEC on July 15, 2011. The registration statement permits us to issue, through one or more transactions, up to an aggregate of \$300 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, including through a combined offering of such securities.

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 consistently traded for the last two years, we face regulatory constraints under the 1940 Act on our ability to obtain additional capital in this manner. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our NAV per share, other than to our then existing stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors. As of June 30, 2011, our NAV per share was \$10.34 and as of August 2, 2011, our closing market price was \$8.86 per share. To the extent that our common stock trades at a market price below our NAV per share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder approval or a rights offering. The Asset Coverage requirement of a business development company under the 1940 Act effectively limits our ratio of debt to equity to 1:1. To the extent that we are unable to raise capital through the issuance of equity, our ability to raise capital through the issuance of debt may also be inhibited to the extent of our regulatory debt to equity ratio limits.

At our annual meeting of stockholders held on February 17, 2011, our stockholders approved a proposal which authorizes us to sell shares of our common stock at a price below our then current NAV per share subject to certain limitations (including that the cumulative number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale) 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.

On May 17, 2010, we and our Adviser entered into an Equity Distribution Agreement with BB&T Capital Markets, a division of Scott & Stringfellow, LLC, or the Agent, under which we may, from time to time, issue and sell through the Agent up to 2.0 million shares, which we refer to as the Shares, of our common stock based upon instructions from us (including, at a minimum, the number of Shares to be offered, the time period during which sales are requested to be made, any limitation on the number of Shares that may be sold in any one day and any minimum price below which sales may not be made). Sales of Shares through the Agent, if any, will be executed by means of either ordinary brokers' transactions on NASDAQ in accordance with Rule 153 under the Securities Act or such other sales of the Shares as shall be agreed by us and the Agent. The compensation payable to the Agent for sales of Shares with respect to which the Agent acts as sales agent will equal 2.0% of the gross sales price of the Shares for amounts of Shares sold pursuant to the Agreement. To date, we have not issued any shares pursuant to this Agreement.

Revolving Credit Facility

On March 15, 2010, we entered into the Credit Facility. BB&T and ING also joined the Credit Facility as committed lenders. Subject to certain terms and conditions, the Credit Facility may be expanded up to \$202.0 million through the addition of other committed lenders to the facility. On the Amendment Date, we amended the Credit Facility. Prior to the Amendment Date, advances under the Credit Facility bore interest at

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LIBOR, subject to a minimum annual rate of 2.0%, plus 4.5%, with an annual commitment fee of 0.5% on undrawn amounts. Effective as of the Amendment Date, advances under the Credit Facility bear interest at LIBOR, subject to a minimum annual rate of 1.5%, plus 3.75%, with an annual commitment fee of 0.5% on undrawn amounts when the facility is drawn more than 50% and 1.0% annually on undrawn amounts when the facility is drawn less than 50%. In addition, effective as of the Amendment Date, we are no longer obligated to pay an annual minimum earnings shortfall fee to the committed lenders, which was calculated as the difference between the weighted average of borrowings outstanding under the Credit Facility and 50.0% of the commitment amount of the Credit Facility, multiplied by 4.5% annually, less commitment fees paid during the year. As of the Amendment Date, we paid a \$0.7 million fee.

As of June 30, 2011, there was a cost basis of approximately \$92.2 million of borrowings outstanding under the Credit Facility at an average interest rate of 5.25%. As of August 2, 2011, there was a cost basis of approximately \$102.5 million of borrowings outstanding. We expect that the Credit Facility will allow us to increase the rate of our investment activity and grow the size of our investment portfolio. Available borrowings are subject to various constraints imposed under the Credit Facility, based on the aggregate loan balance pledged by us. Interest is payable monthly during the term of the Credit Facility. The Credit Facility matures on March 15, 2012, and, if not renewed or extended by this date, all unpaid principal and interest will be due and payable on March 15, 2013. In addition, if the Credit Facility is not renewed on or before March 15, 2012, we will be required to use all principal collections from the pledged loans to pay outstanding principal on the Credit Facility.

The Credit Facility contains covenants that require Business Loan to maintain its status as a separate entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions), and restrict material changes to our credit and collection policies. The facility requires a minimum of 20 obligors in the borrowing base and also limits payments of distributions. As of June 30, 2011, Business Loan had 41 obligors and we complied with all of the Credit Facility covenants.

Contractual Obligations and Off-Balance Sheet Arrangements

We were not a party to any signed term sheets for potential investments as of June 30, 2011. However, we have certain lines of credit and capital commitments with our portfolio companies that have not been fully drawn or called, respectively. Since these commitments have expiration dates, and we expect many will never be fully drawn or called, the total commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of these unused and uncalled commitments as of June 30, 2011 and September 30, 2010 to be nominal.

In accordance with GAAP, the unused and uncalled portions of these commitments are not recorded on the accompanying *Condensed Consolidated Statements of Assets and Liabilities*. The following table summarizes the nominal dollar balance of unused line of credit commitments, uncalled capital commitments and guarantees as of June 30, 2011 and September 30, 2010:

	As of June 30, 2011	As of September 30, 2010
Unused line of credit commitments	\$ 8,945	\$ 9,304
Uncalled capital commitment	800	1,600
Guarantees		250
Total	\$ 9,745	\$ 11,154

The following table shows our contractual obligations as of June 30, 2011:

Contractual Obligations(1)	Less than 1 Year	Payments Due by Period			Total
		1-3 Years	4-5 Years	After 5 Years	
Credit Facility(2)	\$ 92,200	\$	\$	\$	\$ 92,200

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- (1) Excludes the unused commitments to extend credit or capital to our portfolio companies for an aggregate amount of \$9.7 million, as discussed above.
- (2) Principal balance of borrowings under the Credit Facility, based on the contractual maturity due to the revolving nature of the facility.

The following table lists the risk ratings for all proprietary loans in our portfolio at June 30, 2011 and September 30, 2010, representing approximately 68.6% and 93.2%, respectively, of all loans in our portfolio at fair value at the end of each period:

Rating	June 30, 2011	September 30, 2010
Highest	9.0	10.0
Average	5.7	6.1
Weighted Average	5.7	5.9
Lowest	1.0	1.0

For syndicated loans that are currently rated by an NRSRO, we risk rate such loans in accordance with the risk rating systems of major risk rating organizations, such as those provided by an NRSRO. The following table lists the risk ratings for all syndicated loans in our portfolio that were rated by an NRSRO at June 30, 2011 and September 30, 2010, representing approximately 24.8% and 4.3%, respectively, at fair value of all loans in our portfolio at the end of each period:

Rating	June 30, 2011	September 30, 2010
Highest	B+/B1	B+/B2
Average	B-/B3	B+/B2
Weighted Average	B-/B3	B+/B2
Lowest	CCC+/Caa1	B2

The following table lists the risk ratings for all syndicated loans that were not rated by an NRSRO. As of June 30, 2011 and September 30, 2010, these loans represented 6.6% and 2.5%, respectively, at fair value of all loans in our portfolio at the end of each period:

Rating	June 30, 2011	September 30, 2010
Highest	9.0	7.0
Average	6.3	7.0
Weighted Average	7.5	7.0
Lowest	4.0	7.0

Investment Income Recognition

Interest income, adjusted for amortization of premiums and acquisition costs and for the accretion of discounts, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan 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. Non-accrual loans are restored to accrual status when past due principal and interest are paid and in management's judgment, are likely to remain current, or due to a restructuring such that the interest income is deemed to be collectible. As of June 30, 2011, two Non-Control/Non-Affiliate investments and four Control investments were on non-accrual with an aggregate cost basis of approximately \$30.7 million, or 8.2% of the cost basis of all loans in our portfolio. As of September 30, 2010, two Non-Control/Non-Affiliate investments

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and four Control investments were on non-accrual with an aggregate cost basis of approximately \$29.9 million, or 10.0% of the cost basis of all loans in our portfolio.

As of June 30, 2011, we had loans in our portfolio which contain a PIK provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as income. To maintain our status as a RIC, this non-cash source of income must be paid out to stockholders in the form of distributions, even though we have not yet collected the cash. We recorded PIK income of \$4 and \$12 for the three and nine months ended June 30, 2011, respectively, as compared to \$4 and \$62 for the three and nine months ended June 30, 2010, respectively.

We also transfer past due interest to the principal balance as stipulated in certain loan amendments with portfolio companies. We transferred past due interest to the principal balance of \$0 and \$0.2 million for the three and nine months ended June 30, 2011, respectively, as compared to \$0.8 million and \$1.2 million for the three and nine months ended June 30, 2010, respectively.

As of June 30, 2011, we had 25 OID loans. We recorded OID income of \$64 and \$117 for the three and nine months ended June 30, 2011, respectively, as compared to \$8 and \$10 for the three and nine months ended June 30, 2010, respectively.

We record success fees upon receipt. Success fees are contractually due upon a change of control in a portfolio company and are recorded in Other income in the accompanying *Condensed Consolidated Statements of Operations*. We recorded \$0.6 million of success fees during the nine months ended June 30, 2011, which resulted from the exits of Pinnacle Treatment Centers, Inc. and Interfilm Holdings, Inc. During the nine months ended June 30, 2010, we received \$1.7 million in success fees from the exits of ActivStyle Acquisition Co., Saunders & Associates, Visual Edge Technology, Inc., Tulsa Welding School, and the prepayment of success fees from Doe & Ingalls Management LLC and Northern Contours, Inc.

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The following table sets forth certain information as of June 30, 2011 regarding each portfolio company in which we held a debt or equity security as of such date. All such investments were made in accordance with our investment policies and procedures described in this prospectus supplement and in the accompanying prospectus.

Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	As of June 30, 2011		
				Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS						
Non-syndicated Loans:						
Access Television Network, Inc. 2600 Michelson Drive, Ste 1650 Irvine, California 91612	Service-cable airtime (infomercials)	Senior Term Debt		\$ 903	\$ 903	\$ 90
Allison Publications, LLC 4311 Oak Lawn, Suite 100 Dallas, Texas 75219	Service-publisher of consumer oriented magazines	Senior Term Debt		8,613	8,632	8,032
BAS Broadcasting 905 West State St. Fremont, OH 43420	Service-radio station operator	Senior Term Debt		7,465	7,465	6,439
Chinese Yellow Pages Company 9550 Flair Drive Suite 200 El Monte, CA 91731	Service-publisher of Chinese language directories	Line of Credit		450	450	360
		Senior Term Debt		198	198	159
CMI Acquisition, LLC	Service-recycling	Senior Subordinated		14,265	14,265	14,247

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		Term Debt			
4211 E. 43rd St. Place Kearney, NE 68848					
FedCap Partners, LLC 11951 Freedom Drive, 13th Floor Reston, VA 20190	Private equity fund	Class A Membership Units	6.7%	1,200	1,200
GFRC Holdings LLC	Manufacturing-glass-fiber	Senior Term Debt		5,811	5,811
3615 Miller Park Dr. Garland, TX 75042	reinforced concrete	Senior Subordinated Term Debt		6,632	6,632
Global Materials Technologies, Inc. 1540 E. Dundee Road Palatine, IL 60067	Manufacturing-steel wool products and metal fibers	Senior Term Debt		2,835	2,835
Heartland Communications Group 909 North Railroad Eagle River, WI 54521	Service-radio station operator	Line of Credit		100	100
		Line of Credit		100	100
		Senior Term Debt		4,342	4,312
		Common Stock Warrants	8.8%	66	
International Junior Golf Training Acquisition Company 58 Hospital Center Common Hilton Head, SC 29926	Service-golf training	Line of Credit		1,500	1,500
		Senior Term Debt		1,060	1,060
		Senior Term Debt		2,500	2,500
KMBQ Corporation 2200 East Parks Highway Wasilla, Alaska 99654	Service-AM/FM radio broadcaster	Line of Credit		162	158
		Senior Term Debt		2,081	2,038
Legend Communications of Wyoming LLC	Service-operator of radio stations	Senior Term Debt		9,812	9,812
		Senior Term Debt		220	220
6805 Douglas Legum Dr, Ste 100 Elkridge, MD 21075					
Newhall Holdings, Inc. 26529 Ruether Ave	Service-distributor of personal	Line of Credit		1,985	1,985
				1,870	1,870

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Santa Clarita, CA 91350	care products and supplements	Senior Term Debt	2,000	2,000	200
		Senior Term Debt	4,648	4,648	465
		Preferred Equity	8.4%		
		Common Stock	10.0%		
Northern Contours, Inc. 409 South Roberts Street Fergus Falls, MN 56537	Manufacturing-veneer and laminate components	Senior Subordinated Term Debt	6,171	6,171	5,670
Northstar Broadband, LLC 3660 East Covington Ave suite C Post Falls, ID 83854	Service-cable TV franchise owner	Senior Term Debt	95	83	75
Precision Acquisition Group Holdings, Inc. 435 Burt Street Sistersville, WV 26175	Manufacturing-consumable components for the aluminum industry	Equipment Note	1,000	1,000	945
		Senior Term Debt	4,125	4,125	3,898
		Senior Term Debt	4,053	4,053	3,830
PROFITSystems Acquisition Co. 422 E. Vermijo Ave, Suite 100 Colorado Springs, CO 80903	Service-design and develop ERP software	Line of Credit			
		Senior Term Debt	250	250	242
		Senior Term Debt	2,900	2,900	2,813
RCS Management Holding Co. 16535 Southpark Drive Westfield, IN 46074	Service-healthcare supplies	Senior Term Debt	1,563	1,563	1,524
		Senior Term Debt	3,060	3,060	2,983

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Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	As of June 30, 2011		Fair Value
				Principal	Cost	
Reliable Biopharmaceutical Holdings, Inc. 1945 Walton Rd. St. Louis, MO 63114	Manufacturing-pharmaceutical and biochemical intermediates	Line of Credit		\$ 1,600	\$ 1,600	\$ 1,572
		Mortgage Note		7,190	7,190	7,064
		Senior Term Debt		11,603	11,603	11,196
		Senior Subordinated Term Debt		6,000	6,000	5,670
		Common Stock Warrants	6.7%		209	103
Saunders & Associates 2520 East Rose Garden Ln. Phoenix, AZ 85050	Manufacturing-equipment provider for frequency control devices	Line of Credit Senior Term Debt		8,947	8,947	8,969
SCI Cable, Inc. 6700 South Topeka Boulevard Building 818, Unit N4 Topeka, Kansas 66619	Service-cable, internet, voice provider	Senior Term Debt		1,666	951	75
		Senior Term Debt		2,931	2,931	132
Sunburst Media LLC 300 Crescent Court, Suite 850 Dallas, Texas 75201	Service-radio station operator	Senior Term Debt		6,175	6,181	4,322
Thibaut Acquisition Co. 480 Frelinghuysen Avenue Newark, NJ 07114	Service-design and distribute wall covering	Line of Credit		750	750	722
		Senior Term Debt		550	550	529
		Senior Term Debt		3,000	3,000	2,869
Viapack, Inc.	Manufacturing-polyethylene film	Senior Real Estate Term Debt		600	600	150

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1224 S. Hamilton St Dalton, GA 30720		Senior Term Debt	3,925	3,925	981
Westlake Hardware, Inc. 14000 Marshall Dr. Lenexa, KS 66215	Retail-hardware and variety	Senior Subordinated Term Debt	12,000	12,000	11,700
Westland Technologies, Inc. 107 S. Riverside Drive Modesto, CA 95354	Service-diversified conglomerate	Line of Credit Senior Term Debt Senior Term Debt	2,000 4,000	2,000 4,000	1,993 3,985
Winchester Electronics 62 Barnes Industrial Road North Wallingford, CT 06492	Manufacturing-high bandwidth connectors and cables	Common Stock Warrants Senior Term Debt Senior Subordinated Term Debt	4.9%	350	350
			1,250	1,250	1,244
			1,682	1,682	1,669
			9,825	9,825	9,678
Subtotal Non-syndicated loans				197,509	161,888
Syndicated Loans:					
Airvana Network Solutions, Inc. 19 Alpha Road, Chelmsford, MA 01824	Service - telecommunications	Senior Term Debt	8,024	7,869	8,124
Allied Security Holdings LLC 161 Washington Street Eight Tower Bridge, Suite 600 Conshocken, PA 19428	Service - contract security officer providers	Senior Subordinated Term Debt	1,000	990	1,011
			9,975	9,784	9,776

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Allied Specialty Vehicles, Inc. 2778 N. Forsyth Road Winter Park, FL 32792	Manufacturing - speciality vehicles	Senior Term Debt			
Ameriquel Group, LLC 18200 Highway 41 North Evansville, IN 47725	Manufacturing - production and distribution of food products	Senior Term Debt	7,500	7,356	7,350
Applied Systems, Inc. 200 Applied Parkway, University Park, IL 60466	Software for property & casualty insurance industry	Senior Subordinated Term Debt	1,000	991	1,010
Ascend Learning, LLC 7500 West 160th Street, Stillwell, KS 66085	Service - technology-based learning solutions	Senior Subordinated Term Debt	1,000	971	1,000
Attachmate Corporate 1500 Dexter Ave N. Seattle, WA 98109	Service - develops, implements and supports software	Senior Subordinated Term Debt	4,000	3,961	4,050
Covad Communications Group, Inc. 2220 O Toole Avenue, San Jose, CA 95131	Service - telecommunications	Senior Term Debt	1,900	1,864	1,924
Ernest Health, Inc. 7770 Jefferson Street NE, Suite 320 Albuquerque, NM 87109	Service - post-acute care services	Senior Term Debt	2,000	1,970	1,970
Global Brass and Copper, Inc. 1901 North Roselle Road, Suite 824 Schaumburg, IL 60195	Manufacturing - specialized copper and brass products	Senior Term Debt	2,976	2,897	3,092
HGI Holding, Inc. 1810 Summit Commerce Park Twinsburg, OH 44087	Service - distributor of disposable medical products	Senior Term Debt	1,757	1,721	1,772

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Hubbard Radio, LLC 3415 University Avenue St. Paul, MN 55114	Service - radio station operator	Senior Subordinated Term Debt	500	495	505
Keypoint Government Solutions, Inc. 1750 Foxtrail Drive Loveland, CO 80538	Service - security consulting services	Senior Term Debt	6,965	6,932	6,895

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Company	Industry	Investment	% of Class Held on a Fully Diluted Basis	As of June 30, 2011		Fair Value
				Principal	Cost	
Pod Media Corporation 7 York Mills Road, 6th Floor Toronto, Ontario	Service - media and marketing solutions	Senior Term Debt		\$ 8,000	\$ 7,921	\$ 7,800
Regional Surgical Hospitals, Inc South Wacker Drive, Suite 500 Chicago, IL 60606	Service - physician-partnered surgical facilities	Senior Term Debt		1,703	1,675	1,700
Verizon USA, Inc 1 Six Forks Road, Suite 700 Raleigh, NC 27615	Service - provider of utility communication systems	Senior Term Debt		500	495	500
Wings Window Fashions, LLC 9 Graber Road Madison, WI 53562	Manufacturing - window coverings	Senior Term Debt		5,000	4,851	4,800
WAM LLC 3 North Kingsbury, 2nd Floor Chicago, IL 60622	Manufacturing - premium bicycle components	Senior Term Debt		2,500	2,475	2,500
Wing Group International, Inc 1 North Miller Street Berkeley, CA 92806	Manufacturing - carrying cases and accessories for notebook computers	Senior Term Debt		10,000	9,803	9,800
Werra Drilling Technologies, Throckmorton Street, Suite 1110 Worth, TX 76102	Manufacturing - oil field drill bits and slick-slip reduction tools	Senior Term Debt		2,000	1,960	1,900

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on Solutions, Inc. 00 Barranca Parkway ne, CA 92618	Service - provider of information availability software	Senior Term Debt		11,000	10,912	10,9
1 Street Systems Holdings, 0 Avenue of the Americas y York, NY 10104	Service - software provided	Senior Term Debt		3,000	2,970	3,0
Evenflo Group dings Inc. Crossroads Court dalia, OH 45377	Manufacturing - infant and juvenile products	Senior Term Debt Senior Preferred Equity Junior Preferred Equity Common Stock	1.1% 4.4% 0.8%	1,853	1,853 333 111	1,7 4 1
total Syndicated loans					93,160	94,0
al n-Control/Non-Affiliate estments					\$ 290,669	\$ 255,9
CONTROL INVESTMENTS						
RTL, Inc. Craig Road alapan, NJ 07726	Service-web-based evaluator of imaging products	Line of Credit Common Stock	88.8%	1,330	1,330 424	
iance Integrated hнологies, Inc. 0 Perry Street iance, OH 43512	Manufacturing-trucking parts	Senior Term Debt Common Stock	58.7%	7,585	7,585 1	7,5 4,4
mark Acquisition, LLC Lindmark Ave. cell, OK 73080	Service-advertising	Senior Subordinated Term Debt Senior Subordinated Term Debt Senior Subordinated Term Debt Common Stock		10,000 2,000 1,909	10,000 2,000 1,908 317	2,5 5 4
alTel, LLC	Service-yellow pages publishing	Line of Credit Line of Credit		1,773 1,170	1,773 1,170	7

Merrimack Street,
 e 216
 rrence, MA 01843

Senior Term Debt		325	325
Senior Term Debt		2,688	2,688
Senior Term Debt		2,750	2,750
Common Stock Warrants	40.0%		

West Metal Distribution,

Distribution-aluminum sheets

Senior Subordinated Term Debt		18,281	18,260	16,7
Common Stock	70.1%		138	

0 Van Buren Road
 ton, OH 44216

and stainless steel

shine Media Holdings
 Broad St, Suite 708

Service-publisher regional B2B trade magazines

Line of Credit		1,900	1,900	6
Senior Term Debt		16,948	16,948	5,9
Senior Term Debt		10,700	10,700	3,7
Junior Preferred Equity	50.0%		375	
Common Stock	28.8%		740	

ttanooga, TN 37402

. Healthcare
 munications, Inc.
 Cleveland Ave., Unit 1
 hland Park, NJ 08904

Service-magazine publisher/operator

Line of Credit		269	269
Line of Credit		450	450
Common Stock	100.0%		2,470

al Control Investments

\$ 84,521 \$ 43,3

al Investments

\$ 375,190 \$ 299,2

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As of June 30, 2011, we had investments in an aggregate of 57 portfolio companies. Approximately 68.3% of the aggregate fair value of such investments at June 30, 2011 was comprised of senior term debt, 29.5% was senior subordinated term debt and 2.2% was in equity securities. The following table outlines our investments by type at June 30, 2011 and September 30, 2010:

	June 30, 2011		September 30, 2010	
	Cost	Fair Value	Cost	Fair Value
Senior term debt	\$ 265,986	\$ 204,281	\$ 200,041	\$ 172,596
Senior subordinated term debt	102,470	88,223	93,987	81,899
Preferred equity	820	551	444	387
Common equity/equivalents	5,914	6,224	3,744	2,227
Total investments	\$ 375,190	\$ 299,279	\$ 298,216	\$ 257,109

Investments at fair value consisted of the following industry classifications as of June 30, 2011 and September 30, 2010:

Industry Classification	June 30, 2011		September 30, 2010	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Electronics	\$ 46,925	15.7%	\$ 25,080	9.8%
Healthcare, education & childcare	34,789	11.5	41,098	16.0
Mining, steel, iron & non-precious metals	33,370	11.2	24,343	9.5
Broadcast (TV & radio)	31,245	10.4	44,562	17.3
Automobile	21,850	7.3	9,868	3.8
Printing & publishing	19,645	6.6	37,705	14.7
Retail stores	19,440	6.5	19,620	7.6
Buildings & real estate	10,763	3.6	12,454	4.8
Textiles & leather	9,838	3.3		
Home & office furnishings	9,790	3.3	10,666	4.1
Diversified/conglomerate manufacturing	8,693	2.9	2,042	0.8
Machinery	8,673	2.9	8,719	3.4
Personal, food and miscellaneous services	7,906	2.6		
Personal & non-durable consumer products	7,672	2.6	9,230	3.6
Beverage, food & tobacco	7,350	2.5		
Leisure, amusement, movies & entertainment	6,953	2.3	3,994	1.6
Diversified/conglomerate service	4,050	1.4		
Diversified natural resources, precious metals & minerals	3,092	1.0		
Oil & gas	1,970	0.7		

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Telecommunications	1,924	0.6		
Aerospace & defense	1,200	0.4	400	0.2
Chemicals, plastics & rubber	1,131	0.4	7,044	2.7
Insurance	1,010	0.3		
Farming & agriculture			284	0.1
Total investments	\$ 299,279	100.0%	\$ 257,109	100.0%

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Our investments at fair value were included in the following geographic regions of the United States at June 30, 2011 and September 30, 2010:

Geographic Region	June 30, 2011		September 30, 2010	
	Fair Value	Percent of Total Investments	Fair Value	Percentage of Total Investments
Midwest	\$ 142,136	47.5%	\$ 109,299	42.5%
West	73,379	24.5	59,684	23.2
South	46,308	15.5	44,704	17.4
Northeast	29,616	9.9	36,995	14.4
Other	7,840	2.6	6,427	2.5
Total Investments	\$ 299,279	100.0%	\$ 257,109	100.0%

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

DESCRIPTION OF THE SERIES 2016 TERM PREFERRED STOCK

The following is a brief description of the terms of our Term Preferred Stock, including specific terms of the Series 2016 Term Preferred Shares. This is not a complete description and is subject to, and entirely qualified by reference to, our Articles of Incorporation, the Articles Supplementary and Appendix A to the Articles Supplementary. Drafts of the Articles Supplementary and Appendix A thereto are attached to this prospectus supplement and the final forms of such documents will be filed with the SEC as exhibits to our registration statement of which this prospectus supplement and the accompanying prospectus are a part. You may obtain copies of these documents as described under Where You Can Find More Information.

General

We are authorized to issue _____ shares of Term Preferred Stock. We are designating _____ of these shares as the Series 2016 Term Preferred Shares. We currently do not have any shares of Term Preferred Stock outstanding. Terms of the Term Preferred Stock are set forth in the Articles Supplementary. Terms of the Series 2016 Term Preferred Shares are the same as those of the Term Preferred Stock except as set forth in Appendix A to the Articles Supplementary.

At the time of issuance, any Term Preferred Stock, including the Series 2016 Term Preferred Shares, will be fully paid and non-assessable and will have no preemptive, conversion, or exchange rights or rights to cumulative voting. The Term Preferred Stock will rank equally with shares of all our other Preferred Stock that might be issued in the future, as to payment of dividends and the distribution of our assets upon dissolution, liquidation or winding up of our affairs. The Term Preferred Stock is, and all other Preferred Stock that we may issue in the future will be, senior as to dividends and distributions to the Common Stock. We may issue additional series of Term Preferred Stock or other Preferred Stock in the future.

Except in certain limited circumstances, holders of the Term Preferred Stock will not receive certificates representing their ownership interest in such shares, and the shares of Term Preferred Stock will be represented by a global certificate to be held by the Securities Depository for the Term Preferred Stock. The Depository Trust Company will initially act as Securities Depository with respect to the Term Preferred Stock.

Dividends and Dividend Periods

General. The holders of the Term Preferred Stock will be entitled to receive cumulative cash dividends and distributions on such shares, when, as and if declared by, or under authority granted by, our Board of Directors out of funds legally available for payment and in preference to dividends and distributions on Common Stock, calculated separately for each Dividend Period for such Term Preferred Stock at the Dividend Rate for such Term Preferred Stock in effect during such Dividend Period, in an amount equal to the

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Liquidation Preference for such Term Preferred Stock. The Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends so declared and payable will be paid to the extent permitted under state law and our Articles of Incorporation, and to the extent available, in preference to and priority over any dividend declared and payable on the Common Stock.

Fixed Dividend Rate. The Fixed Dividend Rate is an annual rate of % for the Series 2016 Term Preferred Shares. The Fixed Dividend Rate for Term Preferred Stock may be adjusted in certain circumstances, including upon the occurrence of certain events resulting in a Default Period (as defined below).

Payment of Dividends and Dividend Periods. The first Dividend Period for the Series 2016 Term Preferred Shares will commence on November , 2011 and end on December 31, 2011 and each subsequent Dividend Period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series 2016 Term Preferred Shares). Dividends will be payable monthly in arrears on the Dividend Payment Date the last Business Day of the month of the Dividend Period and upon redemption of the Term Preferred Stock. Except for the first Dividend Period, dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Term Preferred Stock as their names shall appear on our registration books at the close of business on the on the applicable record date, which shall be such date designated by our Board of Directors that is not more than 20, nor less than 10, calendar days prior to such Dividend Payment Date. Dividends with respect to the first Dividend Period of the Series 2016 Term Preferred Shares will be declared and paid on December 30, 2011 to holders of record of such Series 2016 Term Preferred Shares as their names appear on our registration books at the close of business on December 21, 2011.

Only holders of Term Preferred Stock on the record date for a Dividend Period will be entitled to receive dividends and distributions payable with respect to such Dividend Period, and holders of Term Preferred Stock who sell shares before such a record date and purchasers of Term Preferred Stock who purchase shares after such a record date should take the effect of the foregoing provisions into account in evaluating the price to be received or paid for such Term Preferred Stock.

Although dividends will accrue and be paid monthly, the record date for holders of Term Preferred Stock entitled to receive dividend payments may vary from month-to-month. We will notify holders of the Term Preferred Stock of each record date by issuance of a quarterly press release.

Mechanics of Payment of Dividends. Not later than 12:00 noon, New York City time, on a Dividend Payment Date, we are required to deposit with the Redemption and Paying Agent sufficient funds for the payment of dividends in the form of Deposit Securities. Deposit Securities will generally consist of (1) cash or cash equivalents; (2) direct obligations of the United States or its agencies or instrumentalities that are entitled to the full faith and credit of the United States, which we refer to as the U.S. Government Obligations; (3) investments in money market funds registered under the 1940 Act that qualify under Rule 2a-7 under the 1940 Act and certain similar investment vehicles that invest in U.S. Government Obligations or any combination thereof; or (4) any letter of credit from a bank or other financial institution that has a credit rating from at least one ratings agency that is the highest applicable rating generally ascribed by such ratings agency to bank deposits or short-term debt of similar banks or other financial institutions, in each case either that is a demand obligation payable to the holder on any Business Day or that has a maturity date, mandatory redemption date or mandatory payment date, preceding the relevant Redemption Date, Dividend Payment Date or other payment date. We do not intend to establish any reserves for the payment of dividends.

All Deposit Securities paid to the Redemption and Payment Agent for the payment of dividends will be held in trust for the payment of such dividends to the holders of Term Preferred Stock. Dividends will be paid by the Redemption and Payment Agent to the holders of Term Preferred Stock as their names appear on our registration books. Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular

Dividend Payment Date. Such payments are made to holders of Term Preferred Stock as their names appear on our registration books on such date, not exceeding 20 nor less than 10 calendar days preceding the payment date thereof, as may be fixed by our Board of Directors. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments

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on any Term Preferred Stock which may be in arrears. See **Adjustment to Fixed Dividend Rate** **Default Period**.

Upon failure to pay dividends for at least two years, the holders of Term Preferred Stock will acquire certain additional voting rights. See **Voting Rights** below. Such rights shall be the exclusive remedy of the holders of Term Preferred Stock upon any failure to pay dividends on Term Preferred Stock.

Adjustment to Fixed Dividend Rate *Default Period*. Subject to the cure provisions below, a Default Period with respect to Term Preferred Stock will commence on a date we fail to deposit the Deposit Securities as required as described above. A Default Period with respect to a Dividend Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of a Default, the applicable dividend rate for each day during the Default Period will be equal to the Default Rate. The **Default Rate** for any calendar day will be equal to the applicable Dividend Rate in effect on such day plus two percent (2%) per annum.

No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any redemption price due (if such Default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than three Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the actual number of calendar days comprising such period divided by 360.

Restrictions on Dividend, Redemption, Other Payments and Issuance of Debt

No full dividends and distributions will be declared or paid on Term Preferred Stock for any Dividend Period, or a part of a Dividend Period, unless the full cumulative dividends and distributions due through the most recent dividend payment dates for all outstanding shares of Preferred Stock (including shares of other series of Term Preferred Stock, if any) have been, or contemporaneously are, declared and paid through the most recent dividend payment dates for each share of Preferred Stock. If full cumulative dividends and distributions due have not been paid on all outstanding shares of Preferred Stock of any series, any dividends and distributions being declared and paid on Term Preferred Stock will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on the shares of each such series of Preferred Stock on the relevant dividend payment date. No holders of Term Preferred Stock will be entitled to any dividends and distributions in excess of full cumulative dividends and distributions as provided in the Articles Supplementary.

For so long as any shares of Term Preferred Stock are outstanding, we will not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in Common Stock) in respect of the Common Stock, (y) call for redemption, redeem, purchase or otherwise acquire for consideration any such Common Stock, or (z) pay any proceeds of the liquidation of the Company in respect of such Common Stock, unless, in each case, (A) immediately thereafter, we will be in compliance with the 200% Asset Coverage limitations set forth under the 1940 Act after deducting the amount of such dividend or distribution or redemption or purchasing price or liquidation proceeds, (B) all cumulative dividends and distributions of shares of all series of Term Preferred Stock and all other series of Preferred Stock, if any, ranking on parity with the Term Preferred Stock due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and sufficient funds or Deposit Securities as permitted by the terms of such Preferred Stock for the payment thereof shall have been deposited irrevocably with the applicable paying agent) and (C) we have deposited Deposit Securities with the Redemption and Paying Agent in accordance with the requirements described herein with respect to outstanding Term Preferred Stock of any series to be redeemed pursuant to a Term Redemption or Asset Coverage mandatory redemption resulting from the failure to comply with the Asset Coverage as described below for which a

Notice of Redemption shall have been given or shall have been required to be given in

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accordance with the terms described herein on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

Except as required by law, we will not redeem any shares of Term Preferred Stock unless all accumulated and unpaid dividends and distributions on all outstanding shares of Term Preferred Stock and other series of Preferred Stock, if any, ranking on parity with the Term Preferred Stock with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by us) (x) will have been or are contemporaneously paid or (y) will have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment of such dividends and distributions will have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent, provided, however, that the foregoing will not prevent the purchase or acquisition of outstanding shares of Term Preferred Stock pursuant to an otherwise lawful purchase or exchange offer made on the same terms to holders of all outstanding shares of Term Preferred Stock and any other series of Preferred Stock, if any, for which all accumulated and unpaid dividends and distributions have not been paid.

We may issue debt in one or more classes or series. Under the 1940 Act, we may not (1) declare any dividend with respect to any Preferred Stock if, at the time of such declaration (and after giving effect thereto), Asset Coverage with respect to any of our borrowings that are senior securities representing indebtedness (as defined in the 1940 Act), would be less than 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring dividends on its Preferred Stock) or (2) declare any other distribution on the Preferred Stock or purchase or redeem Preferred Stock if at the time of the declaration or redemption (and after giving effect thereto), Asset Coverage with respect to such borrowings that are senior securities representing indebtedness would be less than 200% (or such higher percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its shares). Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of capital stock) and evidencing indebtedness and could include our obligations under any borrowings. For purposes of determining Asset Coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 calendar days and is not extended or renewed; otherwise such loan is presumed not to be for temporary purposes. For purposes of determining whether the 200% statutory Asset Coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Preferred Stock, such Asset Coverage may be calculated on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of the applicable determination.

Asset Coverage

If we fail to maintain Asset Coverage of at least 200% as of the close of business on the last Business Day of a Calendar Quarter, the Term Preferred Stock may become subject to mandatory redemption as provided below. Asset Coverage means asset coverage of a class of senior security which is a stock, as defined for purposes of Section 18(h) of the 1940 Act as in effect on the date of the Articles Supplementary, determined on the basis of values calculated as of a time within two Business Days next preceding the time of such determination. For purposes of this determination, no shares of Term Preferred Stock or other Preferred Stock, if any, will be deemed to be outstanding for purposes of

the computation of Asset Coverage if, prior to or concurrently with such determination, either sufficient Deposit Securities or other sufficient funds (in

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accordance with the terms of such Preferred Stock) to pay the full redemption price for such Preferred Stock (or the portion thereof to be redeemed) will have been deposited in trust with the paying agent for such Preferred Stock and the requisite notice of redemption for such Preferred Stock (or the portion thereof to be redeemed) will have been given or sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Preferred Stock) to pay the full redemption price for such Preferred Stock (or the portion thereof to be redeemed) will have been segregated by us and our custodian, or Custodian, from our assets, by means of appropriate identification on the Custodian's books and records or otherwise in accordance with the Custodian's normal procedures. In such event, the Deposit Securities or other sufficient funds so deposited or segregated will not be included as our assets for purposes of the computation of Asset Coverage.

Redemption

Term Redemption. We are required to provide for the mandatory redemption, or the Term Redemption, of all of the Series 2016 Term Preferred Shares on December 31, 2016, which we refer to as the Term Redemption Date, at a redemption price equal to the Liquidation Preference per share plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the Term Redemption Date, which we refer to as the Term Redemption Price.

Mandatory Redemption for Asset Coverage

Asset Coverage. If we fail to have Asset Coverage of at least 200% as provided in the Articles Supplementary and such failure is not cured as of the close of business on the Asset Coverage Cure Date, we will fix a redemption date and proceed to redeem the number of shares of Preferred Stock as described below at a price per share equal to the liquidation price per share of the applicable Preferred Stock, which in the case of the Term Preferred Stock is equal to the Liquidation Preference per share plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption by our Board of Directors. We will redeem out of funds legally available the number of shares of Preferred Stock (which may include at our sole option any number or proportion of Term Preferred Stock) equal to the lesser of (i) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in us having Asset Coverage of at least 200% and (ii) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available in accordance with our Articles of Incorporation and applicable law. Notwithstanding the foregoing sentence, in the event that shares of Preferred Stock are redeemed pursuant to the Articles Supplementary, we may at our sole option, but are not required to, redeem a sufficient number of shares of Term Preferred Stock that, when aggregated with other shares of Preferred Stock redeemed by us, permits us to have with respect to the shares of Preferred Stock (including Term Preferred Stock) remaining outstanding after such redemption, Asset Coverage on such Asset Coverage Cure Date of as much as 285%. We will effect a redemption on the date fixed by us, which date will not be later than 90 calendar days after the Asset Coverage Cure Date, except that if we do not have funds legally available for the redemption of all of the required number of shares of Term Preferred Stock and other shares of Preferred Stock which have been designated to be redeemed or we otherwise are unable to effect such redemption on or prior to 90 calendar days after the Asset Coverage Cure Date, we will redeem those shares of Term Preferred Stock and other shares of Preferred Stock which we were unable to redeem on the earliest practicable date on which we are able to effect such redemption.

Optional Redemption. On or after December 31, 2012 (any such date, an Optional Redemption Date), we may redeem in whole or from time to time in part outstanding Term Preferred Stock, at a redemption price equal to the Liquidation Preference, *plus* an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the Optional Redemption Date (whether or not earned or declared by us, but excluding interest thereon), *plus* the applicable Optional Redemption Premium per share (as calculated below) (the *Optional Redemption Price*). The

Optional Redemption Premium with respect to the Series 2016 Term Preferred Shares will be an amount equal to:

if the Optional Redemption Date occurs on or after December 31, 2012 and prior to December 31, 2013, 1.00% of the Liquidation Preference;

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if the Optional Redemption Date occurs on or after December 31, 2013 and prior to December 31, 2014, 0.50% of the Liquidation Preference; or

if the Optional Redemption Date occurs on or after December 31, 2014, 0.0% of the Liquidation Preference.

Subject to the provisions of the Articles Supplementary and applicable law, our Board of Directors will have the full power and authority to prescribe the terms and conditions upon which shares of Term Preferred Stock will be redeemed from time to time.

We may not on any date deliver a notice of redemption to redeem any shares of Term Preferred Stock pursuant to the optional redemption provisions described above unless on such date we have available Deposit Securities for the Optional Redemption Date contemplated by such notice of redemption having a Market Value not less than the amount (including any applicable premium) due to holders of shares of Term Preferred Stock by reason of the redemption of such shares of Term Preferred Stock on such Optional Redemption Date.

Redemption Procedures. We will file a notice of our intention to redeem with the SEC so as to provide the 30 calendar day notice period contemplated by Rule 23c-2 under the 1940 Act, or such shorter notice period as may be permitted by the SEC or its staff.

If we shall determine or be required to redeem, in whole or in part, shares of Term Preferred Stock, we will deliver a notice of redemption, or a Notice of Redemption, by overnight delivery, by first class mail, postage prepaid or by electronic means to the holders of such shares of Term Preferred Stock to be redeemed, or request the Redemption and Paying Agent, on our behalf, to promptly do so by overnight delivery, by first class mail or by electronic means. A Notice of Redemption will be provided not more than 45 calendar days prior to the date fixed for redemption in such Notice of Redemption, which we refer to as the Redemption Date. If fewer than all of the outstanding shares of Term Preferred Stock are to be redeemed pursuant to either the Asset Coverage mandatory redemption provisions or the optional redemption provisions, the shares of Term Preferred Stock to be redeemed will be selected either (1) pro rata among Term Preferred Stock, (2) by lot or (3) in such other manner as our Board of Directors may determine to be fair and equitable. If fewer than all shares of Term Preferred Stock held by any holder are to be redeemed, the Notice of Redemption mailed to such holder shall also specify the number of shares of Term Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to the Articles Supplementary that such redemption is subject to one or more conditions precedent and that we will not be required to effect such redemption unless each such condition has been satisfied. No defect in any Notice of Redemption or delivery thereof will affect the validity of redemption proceedings except as required by applicable law.

If we give a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by us), we will (i) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value at the time of deposit no less than the redemption price of the shares of Term Preferred Stock to be redeemed on the Redemption Date and (ii) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable redemption price to the holders of shares of Term Preferred Stock called for redemption on the Redemption Date. Notwithstanding the foregoing, if the Redemption Date is the Term Redemption Date, then such deposit of Deposit Securities will be made no later than 15 calendar days prior to the Term Redemption Date.

Upon the date of the deposit of Deposit Securities by us for purposes of redemption of shares of Term Preferred Stock, all rights of the holders of Term Preferred Stock so called for redemption shall cease and terminate except the right of

the holders thereof to receive the Term Redemption Price, Mandatory Redemption Price or Optional Redemption Price thereof, as applicable (any of the foregoing referred to in this prospectus supplement as the Redemption Price, and such shares of Term Preferred Stock will no longer be deemed outstanding for any purpose whatsoever (other than the transfer thereof prior to the applicable Redemption Date and other than the accumulation of dividends on such stock in accordance with the terms of the Term Preferred Stock up to (but excluding) the applicable Redemption Date). We will be entitled to

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receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of shares of Term Preferred Stock called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of 90 calendar days from the Redemption Date will, to the extent permitted by law, be repaid to us, after which the holders of shares of Term Preferred Stock so called for redemption shall look only to us for payment of the Redemption Price. We will be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

On or after a Redemption Date, each holder of shares of Term Preferred Stock in certificated form (if any) that are subject to redemption will surrender the certificate(s) evidencing such shares of Term Preferred Stock to us at the place designated in the Notice of Redemption and will then be entitled to receive the Redemption Price, without interest, and in the case of a redemption of fewer than all shares of Term Preferred Stock represented by such certificate(s), a new certificate representing shares of Term Preferred Stock that were not redeemed.

If any redemption for which a Notice of Redemption has been provided is not made by reason of the absence of our legally available funds in accordance with the Articles Supplementary and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default will be deemed to have occurred if we have failed to deposit in trust with the Redemption and Paying Agent the applicable Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent has not been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any shares of Term Preferred Stock, dividends may be declared and paid on such shares of Term Preferred Stock in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such shares of Term Preferred Stock shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

We may, in our sole discretion and without a stockholder vote, modify the redemption procedures with respect to notification of redemption for the Term Preferred Stock, provided that such modification does not materially and adversely affect the holders of Term Preferred Stock or cause us to violate any applicable law, rule or regulation.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of the Series 2016 Term Preferred Shares will be entitled to receive out of our assets available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment will be made in respect of the Common Stock, a liquidation distribution equal to the Liquidation Preference of \$25 per share, plus an amount equal to all unpaid dividends and distributions accumulated to (but excluding) the date fixed for such distribution or payment (whether or not earned or declared by us, but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

If, upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all Term Preferred Stock, and any other outstanding shares of Preferred Stock, if any, will be insufficient to permit the payment in full to such holders of Term Preferred Stock of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to such other shares of Preferred Stock, then the available assets will be distributed among the holders of such Term Preferred Stock and such other series of Preferred Stock ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of our affairs whether voluntary or involuntary, unless and until the Liquidation Preference on each outstanding share of Term Preferred Stock plus accumulated and unpaid dividends and distributions has been paid in full to the holders of

Term Preferred Stock, no dividends, distributions or other payments will be made on, and no redemption, repurchase or other acquisition by us will be made by us in respect of, the Common Stock.

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Neither the sale of all or substantially all of the property or business of the Company, nor the merger, consolidation or our reorganization into or with any other business or corporation, statutory trust or other entity, nor the merger, consolidation or reorganization of any other business or corporation, statutory trust or other entity into or with us will be a dissolution, liquidation or winding up, whether voluntary or involuntary, for purposes of the provisions relating to liquidation set forth in the Articles Supplementary.

Voting Rights

Except as otherwise provided in our Articles of Incorporation, the Articles Supplementary, or as otherwise required by applicable law, each holder of Term Preferred Stock will be entitled to one vote for each share of Term Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and the holders of outstanding shares of any Preferred Stock, including the Term Preferred Stock, will vote together with holders of Common Stock as a single class. Under applicable rules of NASDAQ and NYSE, we are currently required to hold annual meetings of stockholders.

In addition, the holders of outstanding shares of any Preferred Stock, including the Term Preferred Stock, will be entitled, as a class, to the exclusion of the holders of all other securities and classes of Common Stock, to elect two of our directors at all times (regardless of the total number of directors serving on the Board of Directors). We refer to these directors as the Preferred Directors. The holders of outstanding shares of Common Stock and Preferred Stock, including Term Preferred Stock, voting together as a single class, will elect the balance of our directors. Under our bylaws, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three year term. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. One of the Preferred Directors will be up for election in 2012, and the other Preferred Director will be up for election in 2013.

In the event we owe accumulated dividends (whether or not earned or declared) on our Preferred Shares equal to at least two full years of dividends (and sufficient cash or securities have not been deposited a paying agent for the payment of the accumulated dividends) the number of directors constituting the board will be increased by the number of directors, which we refer to as the New Preferred Directors, that when added to the Preferred Directors will constitute a majority. We will then call a special meeting of shareholders to permit the election of the New Preferred Directors. The term of the New Preferred Directors will last for so long as we are in arrears on our dividends as described above. The ability of the Term Preferred Stockholders to elect the New Preferred Directors will also terminate, subject to reinstatement, once we have a Dividend Payment Date on which we are no longer in arrears on our dividends to the extent described above.

Notwithstanding the foregoing, if (1) at the close of business on any dividend payment date for dividends on any outstanding share of any Preferred Stock, including any outstanding shares of Term Preferred Stock, accumulated dividends (whether or not earned or declared) on the shares of Preferred Stock, including the Term Preferred Stock, equal to at least two full years' dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or (2) at any time holders of any shares of Preferred Stock are entitled under the 1940 Act to elect a majority of our directors (a period when either of the foregoing conditions exists, a Voting Period), then the number of members constituting our Board of Directors will automatically be increased by the smallest number that, when added to the two directors elected exclusively by the holders of shares of any Preferred Stock, including the Term Preferred Stock, as described above, would constitute a majority of our Board of Directors as so increased by such smallest number; and the holders of the shares of Preferred Stock, including the Term Preferred Stock, will be entitled as a class on a one-vote-per-share basis, to elect such additional directors. The terms of office of the persons who are directors at the time of that election will not be affected by the election of the additional directors. If we

thereafter shall pay, or declare and set apart for payment, in full all dividends payable on all outstanding shares of Preferred Stock, including Term Preferred Stock, for all past dividend periods, or the Voting Period is otherwise terminated, (1) the voting rights stated above shall cease, subject always, however, to the revesting of such voting rights in the holders of shares of Preferred Stock upon the further occurrence of any of the

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events described herein, and (2) the terms of office of all of the additional directors so elected will terminate automatically. Any Preferred Stock, including Term Preferred Stock, issued after the date hereof will vote with Term Preferred Stock as a single class on the matters described above, and the issuance of any other Preferred Stock, including Term Preferred Stock, by us may reduce the voting power of the holders of Term Preferred Stock.

As soon as practicable after the accrual of any right of the holders of shares of Preferred Stock to elect additional directors as described above, we will call a special meeting of such holders and notify the Redemption and Paying Agent and/or such other person as is specified in the terms of such Preferred Stock to receive notice, (i) by mailing or delivery by electronic means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Stock, a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 30 calendar days after the date of the delivery by electronic means or mailing of such notice. If we fail to call such a special meeting, it may be called at our expense by any such holder on like notice. The record date for determining the holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of holders of shares of Preferred Stock held during a Voting Period at which directors are to be elected, such holders, voting together as a class (to the exclusion of the holders of all our other securities and classes of capital stock), will be entitled to elect the number of additional directors prescribed above on a one-vote-per-share basis.

Except as otherwise permitted by the terms of the Articles Supplementary, so long as any shares of Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of shares of Term Preferred Stock, voting as a separate class, amend, alter or repeal the provisions of the Articles of Incorporation or the Articles Supplementary, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the Term Preferred Stock or the holders thereof; provided, however, that (i) a change in our capitalization as described under the heading Issuance of Additional Preferred Stock will not be considered to materially and adversely affect the rights and preferences of Term Preferred Stock, and (ii) a division of a share of Term Preferred Stock will be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the holders of Term Preferred Stock. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a share of Term Preferred Stock of such series or the holder thereof unless such matter (i) alters or abolishes any preferential right of such share of Term Preferred Stock, or (ii) creates, alters or abolishes any right in respect of redemption of such Term Preferred Stock (other than as a result of a division of such Term Preferred Stock). So long as any shares of Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of at least 66²/₃% of the holders of the shares of Term Preferred Stock outstanding at the time, voting as a separate class, file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as we are solvent and does not foresee becoming insolvent.

The affirmative vote of the holders of at least a majority of the shares of Preferred Stock, including the shares of Term Preferred Stock outstanding at the time, voting as a separate class, will be required (i) to approve us ceasing to be, or to withdraw our election as, a business development company, or (ii) to approve any plan of reorganization (as such term is defined in Section 2(a)(33) of the 1940 Act) adversely affecting such shares of Preferred Stock. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Stock means the vote at an annual or special meeting duly called of (a) 67% or more of such shares present at a meeting, if the holders of more than 50% of such outstanding shares are present or represented by proxy at such meeting, or (b) more than 50% of such outstanding shares, whichever is less.

For purposes of determining any rights of the holders of Term Preferred Stock to vote on any matter, whether such right is created by the Articles Supplementary, by the provisions of the Articles of Incorporation, by statute or otherwise, no holder of Term Preferred Stock will be entitled to vote any shares of Term Preferred Stock and no share

of Term Preferred Stock will be deemed to be outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case

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may be, the requisite Notice of Redemption with respect to such Term Preferred Stock will have been given in accordance with the Articles Supplementary, and the Redemption Price for the redemption of such shares of Term Preferred Stock will have been irrevocably deposited with the Redemption and Paying Agent for that purpose. No shares of Term Preferred Stock held by us will have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

Unless otherwise required by law or the Articles of Incorporation, holders of Term Preferred Stock will not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in the Voting Rights section of the Articles Supplementary. The holders of shares of Term Preferred Stock will have no rights to cumulative voting. In the event that we fail to declare or pay any dividends on Term Preferred Stock, the exclusive remedy of the holders will be the right to vote for additional directors as discussed above; provided that the foregoing does not affect our obligation to accumulate and, if permitted by applicable law and the Articles Supplementary, pay dividends at the Default Rate as discussed above.

Issuance of Additional Preferred Stock

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

Actions on Other than Business Days

Unless otherwise provided in the Articles Supplementary, if the date for making any payment, performing any act or exercising any right is not a Business Day, such payment will be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount will accrue for the period between such nominal date and the date of payment.

Modification

The Board of Directors, without the vote of the holders of Term Preferred Stock, may interpret, supplement or amend the provisions of the Articles Supplementary or any appendix thereto to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Preferred Stock.

Table of Contents**UNDERWRITING**

Janney Montgomery Scott LLC, BB&T Capital Markets, a Division of Scott & Stringfellow, LLC, J.J.B. Hilliard, W.L. Lyons, LLC, Wunderlich Securities, Inc. Ladenburg Thalmann & Co. Inc. and Boenning & Scattergood, Inc. are the underwriters of this offering. Subject to the terms and conditions of the underwriting agreement dated _____, 2011, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of Series 2016 Term Preferred Shares set forth opposite their respective names below at the public offering price less the underwriting discounts and commissions on the cover page of this prospectus supplement.

Underwriters	Number of Shares
Janney Montgomery Scott LLC	
BB&T Capital Markets, a Division of Scott & Stringfellow, LLC	
J.J.B. Hilliard, W.L. Lyons, LLC	
Wunderlich Securities, Inc.	
Ladenburg Thalmann & Co. Inc.	
Boenning & Scattergood, Inc.	
 Total	

The underwriting agreement provides that obligations of the underwriters to purchase the Series 2016 Term Preferred Shares that are being offered are subject to the approval of certain legal matters by counsel to the underwriters and to certain other conditions. Each underwriter is obligated to purchase all of the Series 2016 Term Preferred Shares set forth opposite its name in the table above if it purchases any of the Series 2016 Term Preferred Shares.

The underwriters propose to offer some of the Series 2016 Term Preferred Shares to the public initially at the offering price per share shown on the cover page of this prospectus supplement and may offer shares to certain dealers at such price less a concession not in excess of \$ _____ per share. The underwriters may allow, and such dealers may re-allow, a concession not in excess of \$ _____ per share to certain other dealers. After the public offering of the Series 2016 Term Preferred Shares, the public offering price and concessions described above may be changed by the underwriters.

We have granted to the underwriters an option, exercisable for up to 30 days after the date of this prospectus supplement, to purchase up to _____ additional Series 2016 Term Preferred Shares at the same price per share as the public offering price, less the underwriting discounts shown on the cover page of this prospectus supplement. The underwriters may exercise such option only to cover over-allotments in the sale of the Series 2016 Term Preferred Shares offered by this prospectus supplement. To the extent that the underwriters exercise this option, each of the underwriters has a firm commitment, subject to certain conditions set forth in the underwriting agreement, to purchase the number of that additional Series 2016 Term Preferred Shares proportionate to such underwriter's initial commitment indicated in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. The amounts as shown assume (1) no exercise and (2) exercise in full of the underwriters' option to purchase the over-allotment shares:

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Underwriting discounts and commissions to be paid by us	\$	\$	\$	\$

We estimate that our out-of-pocket expenses for this offering, not including the underwriting discounts and commissions, will be approximately \$. Of this amount, \$ represents expenses for which we will reimburse the underwriters.

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In connection with this offering and in compliance with applicable securities laws, the underwriters may over-allot (i.e., sell more Series 2016 Term Preferred Shares than the amount shown on the cover page of this prospectus supplement) and may effect transactions that stabilize, maintain or otherwise affect the market price of such shares at levels above those which might otherwise prevail in the open market. Such transactions may include making short sales and placing bids for the Series 2016 Term Preferred Shares or effecting purchases of such shares for the purpose of pegging, fixing or maintaining the market price of such shares or for the purpose of reducing a short position created in connection with this offering. The underwriters may cover a short position by exercising the over-allotment option described above in place of, or in addition to, open market purchases.

Additionally, the underwriters may engage in syndicate covering transactions which involve purchases of Series 2016 Term Preferred Shares in the open market after they have completed the distribution of such shares in order to cover syndicate short positions. In determining the appropriate source of shares to close out a covered short sale, the underwriters may consider, among other things, the market price of such shares compared to the purchase price of shares available under the over-allotment option.

The underwriters may also sell Series 2016 Term Preferred Shares in excess of the over-allotment option, thereby creating a naked short position. The underwriters must close out any such naked short position by purchasing shares in the open market. The underwriters are more likely to create a naked short position if they are concerned that there may be downward pressure on the price of the Series 2016 Term Preferred Shares in the open market after pricing, which could adversely affect investors who purchase in this offering.

The underwriters may also impose a penalty bid in connection with this offering. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Series 2016 Term Preferred Shares originally sold by such syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions. The imposition of a penalty bid may affect the open market price of the Series 2016 Term Preferred Shares to the extent that it discourages resales of such shares.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that these transactions may have on the market price of the Series 2016 Term Preferred Shares. In addition, we and the underwriters make no representation that the underwriters will engage in such transactions or that such transactions, if and when commenced, will not be discontinued without notice.

Each underwriter does not intend to confirm sales of the Series 2016 Term Preferred Shares to any accounts over which it exercises discretionary authority.

The underwriting agreement provides that we and our directors and executive officers will agree not to, directly or indirectly, sell or otherwise dispose of any of the Series 2016 Term Preferred Shares or shares of our Common Stock for a period of 60 days after the completion of this offering without the prior written consent of Janney Montgomery Scott LLC, on behalf of the underwriters. We have also agreed to make no such sales during this period except in connection with the issuance of shares of our Common Stock pursuant to our dividend reinvestment plan.

Notwithstanding the foregoing, if (1) during the last 17 days of the 60-day lock-up period, we issue an earnings release or material news or material event relating to us occurs; or (2) prior to the expiration of the 60-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 60-day lock-up period, and, in the case of either clause (1) or (2) immediately above, the safe harbor pursuant to Rule 139 under the Securities Act is not available to the underwriters, then the restrictions set forth above will continue to apply until the expiration of an 18-day period beginning on the date of issuance of such earnings release or the occurrence of the material news or material event.

In addition, the terms of the lock-up agreement do not prevent a stockholder party to such agreement from (a) transferring the Series 2016 Term Preferred Shares or shares of our Common Stock acquired in open market transactions after the completion of this offering, (b) transferring any or all of the Series 2016 Term Preferred Shares or shares of our Common Stock or other Company securities if the transfer is by (i) gift, will or intestacy, or (ii) distribution to partners, members or shareholders of the undersigned, (c) transferring Series 2016 Term Preferred Shares or shares of our Common Stock pursuant to any 10b5-1 trading plan in

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effect prior to the date of this prospectus and (d) entering into any new 10b5-1 plan, provided that no sales of Series 2016 Term Preferred Shares or shares of our Common Stock or other Company securities shall be made pursuant to such 10b5-1 plan until after the expiration of the lock-up period; provided, however, that in the case of a transfer pursuant to clause (b) above, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding the securities subject to the provisions of the lock-up agreement.

We have agreed to indemnify the underwriters against certain liabilities that they may incur in connection with this offering, including liabilities under the Securities Act.

The Series 2016 Term Preferred Shares have been cleared for listing on the NYSE, subject to notice of official issuance of trading, under the symbol GLAD PR A. Trading on the Series 2016 Term Preferred Shares is expected to begin within 30 days after the date of initial delivery of the Series 2016 Term Preferred Shares. Our common stock is traded on NASDAQ under the symbol GLAD.

This prospectus supplement and the accompanying prospectus may be made available in electronic format on websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering, and one or more of the underwriters participating in this offering may distribute this prospectus supplement and the accompanying prospectus electronically. Janney Montgomery Scott LLC, as representative of the underwriters, may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus supplement and the accompanying prospectus that are distributed in electronic format, the information on any of these underwriters or selling group members' websites, and any other information contained on a website maintained by an underwriter or selling group member, is not part of this prospectus supplement or the accompanying prospectus.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of Series 2016 Term Preferred Shares in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions.

Conflicts of Interest and Other Relationships

Branch Banking and Trust Company, which is an affiliate of an underwriter in this offering, is a lender under the Credit Facility. We intend to use a portion of the net proceeds from this offering to reduce the outstanding balance under the Credit Facility. Accordingly, the affiliate of such underwriter will receive a portion of the net proceeds from this offering that are used to repay the outstanding balance under the Credit Facility.

Certain of the underwriters in this offering and their respective affiliates have in the past, and may from time to time in the future, provide investment banking and other services to us for which they have received, or expect to receive, customary fees and commissions.

TAX MATTERS

This discussion serves as a supplement to the discussion in the accompanying prospectus under the heading Material U.S. Federal Income Tax Considerations.

Regulated Investment Company Status

As discussed in the accompanying prospectus, in order to be eligible for the tax conduit treatment available to RICs under Subchapter M of the Code, we must distribute to our stockholders, for each taxable year, at least 90% of our investment company taxable income, which is generally our ordinary income plus short-term capital gains. We refer to this as the annual distribution requirement. In order for dividends we pay to our stockholders to count toward the annual distribution requirement, and to be deductible by us for tax

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purposes, such dividends must not be preferential within the meaning of Section 562(c) of the Code, which we refer to as Section 562(c), or, if we pay any dividends that are preferential, we must qualify as a publicly offered regulated investment company, as defined in the Code. A publicly offered regulated investment company is a RIC whose shares are (1) continuously offered pursuant to a public offering, (2) regularly traded on an established securities market, or (3) held by at least 500 persons at all times during the taxable year. We generally expect to satisfy one or more of these conditions. However, because these conditions are not entirely under our control, it is possible that, from time to time, we may not qualify as a publicly offered regulated investment company. The discussion in the accompanying prospectus under the heading Material U.S. Federal Income Tax Considerations is based on the assumption that we either will qualify at all times as a publicly offered regulated investment company, or, if we do not so qualify, that no dividends paid on our common stock, our Senior Common Stock, or our Series 2016 Term Preferred Shares will be considered preferential within the meaning of Section 562(c).

In order for dividends not to be considered preferential within the meaning of Section 562(c), such dividends must be paid on a pro rata basis with no preference for any share of our stock and no preference for any class of our stock, except for dividends paid on shares of stock constituting a separate class in accordance with specific dividend rights attributable to such separate class as set forth in applicable governing documents. The Series 2016 Term Preferred Shares will be established as a separate class of stock under our Articles Supplementary, and the Series 2016 Term Preferred Shares will be treated as a separate class of stock under Maryland corporation law. In addition, we intend to pay dividends on the Series 2016 Term Preferred Shares solely in accordance with the specific dividend rights of the Series 2016 Term Preferred Shares as set forth in our articles of incorporation. Accordingly, we intend to count dividends paid on our Series 2016 Term Preferred Shares toward our annual distribution requirement and not as preferential dividends within the meaning of Section 562(c), even if we fail to qualify as a publicly offered regulated investment company.

Taxation of Our U.S. Stockholders

The Code allows the deduction by certain individuals, trusts, and estates of miscellaneous itemized deductions only to the extent that such deductions exceed 2% of the taxpayer's adjusted gross income. The limit on miscellaneous itemized deductions does not apply, however, with respect to the expenses incurred by any publicly offered regulated investment company. As indicated above, because we cannot entirely control the circumstances surrounding the conditions for qualification as a publicly offered regulated investment company, it is possible that we may not qualify as a publicly offered regulated investment company from time to time. In such case, stockholders who are individuals, trusts, and estates may be limited in their ability to deduct certain of our expenses, including fees paid to our Adviser and our Administrator. This limitation is applied to such a stockholder as if the stockholder had received a dividend from us in the amount of his allocable share of such expenses and had paid such expenses directly.

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REDEMPTION AND PAYING AGENT

The custodian of our assets is The Bank of New York Mellon Corp. The custodian's address is: 2 Hanson Place, Sixth Floor, Brooklyn, NY 11217. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly owned subsidiary, Gladstone Business Loan, LLC, or Business Loan, are held under a custodian agreement with The Bank of New York Mellon Corp., which acts as collateral custodian pursuant to the Credit Facility with Key Equipment Finance Inc. and certain other parties. The address of the collateral custodian is 2 Hanson Place, Sixth Floor, Brooklyn, NY 11217. BNY Mellon Shareowner Services acts as our transfer and dividend paying agent and registrar. The principal business address of BNY Mellon Shareowner Services is 480 Washington Boulevard, Jersey City, New Jersey 07310, telephone number 800-274-2944. BNY Mellon Shareowner Services also maintains an internet website at <http://stock.bankofny.com>.

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MISCELLANEOUS

To the extent that a holder of Term Preferred Shares is directly or indirectly a beneficial owner of more than 10% of any class of our outstanding shares (meaning, for purposes of holders of Term Preferred Shares, more than 10% of our outstanding Preferred Stock), such 10% beneficial owner would be subject to the short-swing profit rules that are imposed pursuant to Section 16 of the Exchange Act (and related reporting requirements). These rules generally provide that such a 10% beneficial owner may have to disgorge any profits made on purchases and sales, or sales and purchases, of our equity securities (including Term Preferred Stock and the Series 2016 Term Preferred Shares and Common Stock) within any six-month time period. Investors should consult with their own counsel to determine the applicability of these rules.

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 and the Preferred Stock may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules) 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.

LEGAL MATTERS

The legality of securities offered hereby will be passed upon for us by Cooley LLP, Reston, Virginia. Certain legal matters will be passed upon for the underwriters by Dechert LLP, Washington, D.C.

PROXY VOTING POLICIES AND PROCEDURES

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

Introduction

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

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

Proxy Policies

The Adviser votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. The Adviser reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases the Adviser will vote in favor of proposals that the Adviser believes are likely to increase the value of the portfolio securities we hold.

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Although the Adviser will generally vote against proposals that may have a negative effect on our portfolio securities, the Adviser may vote for such a proposal if there exist compelling long-term reasons to do so.

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

Proxy Voting Records

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

Michael LiCalsi, Internal Counsel
c/o Gladstone Capital Corporation
1521 Westbranch Dr.
McLean, VA 22102

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	June 30, 2011	September 30, 2010
	(Dollar amounts in thousands, except per share amounts) (Unaudited)	
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$290,669 and \$244,140, respectively)	\$ 255,906	\$ 223,737
Control investments (Cost of \$84,521 and \$54,076, respectively)	43,373	33,372
Total investments at fair value (Cost of \$375,190 and \$298,216, respectively)	299,279	257,109
Cash	7,776	7,734
Interest receivable investments in debt securities	2,619	2,648
Interest receivable employees	97	104
Due from custodian	1,922	255
Deferred financing fees	993	1,266
Prepaid assets	660	799
Other assets	784	603
TOTAL ASSETS	\$ 314,130	\$ 270,518
LIABILITIES		
Borrowings at fair value (Cost of \$92,200 and \$16,800, respectively)	\$ 92,700	\$ 17,940
Accounts payable and accrued expenses	601	752
Interest payable	263	693
Fee due to Administrator	174	267
Fees due to Adviser	1,791	673
Other liabilities	1,065	947
TOTAL LIABILITIES	96,594	21,272
NET ASSETS	\$ 217,536	\$ 249,246
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value per share, 50,000,000 shares authorized and 21,039,242 shares issued and outstanding at June 30, 2011 and September 30, 2010	\$ 21	\$ 21

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Capital in excess of par value	326,935	326,935
Notes receivable employees	(4,998)	(7,103)
Net unrealized depreciation on investments	(75,911)	(41,108)
Net unrealized appreciation on borrowings	(500)	(1,140)
Overdistributed net investment income	(758)	(1,103)
Accumulated net realized losses	(27,253)	(27,256)
TOTAL NET ASSETS	\$ 217,536	\$ 249,246
NET ASSETS PER SHARE	\$ 10.34	\$ 11.85

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GLADSTONE CAPITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
	(Dollar amounts in thousands, except per share amounts)			
	(Unaudited)			
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 7,028	\$ 6,992	\$ 19,722	\$ 23,037
Control investments	1,406	375	3,604	1,853
Notes receivable from employees	102	108	347	330
Total interest income	8,536	7,475	23,673	25,220
Other income				
Non-Control/Non-Affiliate investments	444	494	1,089	2,367
Control investments			625	
Total other income	444	494	1,714	2,367