GLADSTONE CAPITAL CORP
Form 497
October 31, 2011

Table of Contents

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Prospectus Supplement
(To Prospectus Dated July 15, 2011)

$35,000,000

PREFERRED STOCK
1,400,000 Shares, 7.125% Series 2016
Liquidation Preference $25 Per Share

We are offering 1,400,000 shares of our 7.125% 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 7.125% of the $25 liquidation preference per share, or $1.7813 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 approved for listing on the New York Stock Exchange, or the NYSE, 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 27, 2011, the last sale price of our common stock as reported on NASDAQ was $7.99 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)**
Public offering price	*$ 25.00*	*$ 35,000,000*
Underwriting discounts and commissions	*$ 1.00*	*$ 1,400,000*
Proceeds, before expenses, to us(1)	*$ 24.00*	*$ 33,600,000*

(1) Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $500,000.

(2) We have granted the underwriters a 30-day option to purchase up to an additional 210,000 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 $40,250,000, $1,610,000 and $38,640,000, 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 November 4, 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.

Boenning & Scattergood, Inc.

Prospectus Supplement dated October 28, 2011

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.

We expect to deliver the Series 2016 Term Preferred Shares against payment therefor on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the fifth business day following the date of the pricing of the Series 2016 Term Preferred Shares. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, and purchasers who wish to trade the Series 2016 Term Preferred Shares on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Series 2016 Term Preferred Shares initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

TABLE OF CONTENTS

Prospectus Supplement

	Page
Prospectus Supplement Summary	S-1
Risk Factors	S-8
Special Note Regarding Forward-Looking Statements	S-11
Use of Proceeds	S-12
Ratio of Earnings to Fixed Charges and Preferred Dividends	S-12
Capitalization	S-13
Selected Financial Information	S-14
Interim Management s Discussion and Analysis of Financial Condition and Results of Operations	S-16
Supplemental Portfolio Information	S-28
Description of the Series 2016 Term Preferred Stock	S-32
Underwriting	S-42
Tax Matters	S-44
Custodian, Transfer Agent, Dividend Disbursing Agent and Redemption and Paying Agent	S-45
Miscellaneous	S-46
Where You Can Find More Information	S-46
Legal Matters	S-46
Proxy Voting Policies and Procedures	S-46
Interim Condensed Consolidated Financial Statements	S-F-1
Appendix A: Articles Supplementary Establishing and Fixing the Preferences of Term Preferred Shares	SA-1

Prospectus

	Page
Prospectus Summary	1
Additional Information	7
Risk Factors	8
Special Note Regarding Forward-Looking Statements	23
Use of Proceeds	23
Price Range of Common Stock and Distributions	23
Consolidated Selected Financial Data	25
Management s Discussion and Analysis of Financial Condition and Results of Operations	27
Sales of Common Stock Below Net Asset Value	71
Senior Securities	77
Business	78
Portfolio Companies	91

Management	95
Control Persons and Principal Stockholders	111
Dividend Reinvestment Plan	112
Material U.S. Federal Income Tax Considerations	113
Regulation as a Business Development Company	115
Description of Our Securities	117
Certain Provisions of Maryland Law and of Our Articles of Incorporation and Bylaws	121
Share Repurchases	123
Plan of Distribution	123
Custodian, Transfer and Dividend Paying Agent and Registrar	125
Brokerage Allocation and Other Practices	125
Legal Matters	125
Experts	125
Financial Statements	F-1

Table of Contents

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 2001, 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

Table of Contents

$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

Table of Contents

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.

Table of Contents

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 approved for listing on the NYSE, 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	1,400,000 shares of 7.125% Series 2016 Term Preferred Stock (1,610,000 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	The Series 2016 Term Preferred Shares will pay a monthly dividend at a fixed annual rate of 7.125% of the Liquidation Preference, or $1.7813 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. 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.
Ranking	The Series 2016 Term Preferred Shares are senior securities that constitute capital stock of the Company. The Series 2016 Term Preferred Shares rank:

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 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

	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 $1.4 million and estimated related offering costs payable by us of $0.5 million, will be 331%. 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

Description of the Series 2016 Term Preferred Stock   Voting Rights.

S-6

Table of Contents

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 $1.4 million and estimated expenses of the offering of approximately $0.5 million) to repay a portion of outstanding borrowings on our Credit Facility. See Use of Proceeds.
U.S. Federal Income Taxes	Prospective investors are urged to consult their own tax advisors regarding these matters in light of their personal investment circumstances. We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to U.S. federal income tax.
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.

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 approved for listing on the NYSE. 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.

Table of Contents

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.

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%	12.3%

(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 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.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds to us of this offering will be approximately $33.1 million, after deducting the payment of underwriting discounts and commissions of $1.4 million and estimated offering expenses of $0.5 million 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 210,000 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 $38.1 million. 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