

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **August 3, 2009**

**Gladstone Capital Corporation**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**814-00237**  
(Commission File Number)

**54-2040781**  
(IRS Employer Identification No.)

**1521 Westbranch Drive, Suite 200, McLean, Virginia**  
(Address of principal executive offices)

**22102**  
(Zip Code)

Registrant's telephone number, including area code: **(703) 287-5800**

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On August 3, 2009, Gladstone Capital Corporation issued a press release announcing its financial results for the third quarter ended June 30, 2009. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibit 99.1 - Press release dated August 3, 2009

**SIGNATURE**

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

**Gladstone Capital Corporation**

(Registrant)

/s/ **GRESFORD GRAY**

**August 3, 2009**

(Date)

Gresford Gray  
Chief Financial Officer

## Gladstone Capital Corporation Reports Results for the Third Quarter Ended June 30, 2009

- \* Net Investment Income was \$5.4 million or \$0.26 per common share
- \* Net Decrease in Net Assets Resulting from Operations was (\$0.8) million or (\$0.04) per common share

MCLEAN, Va., Aug. 3, 2009 (GLOBE NEWSWIRE) -- Gladstone Capital Corp. (Nasdaq:GLAD) (the "Company") today announced earnings for the third quarter ended June 30, 2009. All per share references are per basic and diluted weighted average common shares outstanding, unless otherwise noted.

Net Investment Income for the quarter ended June 30, 2009 was \$5.4 million, or \$0.26 per share, as compared to \$6.7 million, or \$0.32 per share, for the quarter ended June 30, 2008, a decrease in Net Investment Income of 19% and a decrease of 19% per share. Net Investment Income for the nine months ended June 30, 2009 was \$16.9 million, or \$0.80 per share, as compared to \$20.4 million, or \$1.06 per share, for the nine months ended June 30, 2008, a decrease in Net Investment Income of 17% and a decrease of 25% per share. Net Investment Income decreased primarily due to a decline in investment income resulting from the sale of loans during the quarter, lower transaction fees paid by the portfolio companies (which are credited against base management fees) and the amortization of deferred financing fees incurred in connection with the Company's prior and current credit facility subsequent to June 30, 2008. The per-share results were also adversely impacted by the issuance of additional shares in public offerings during the nine months ended June 30, 2008.

Net Decrease in Net Assets Resulting from Operations for the quarter ended June 30, 2009 was (\$0.8) million, or (\$0.04) per share, as compared to a Net Increase in Net Assets Resulting from Operations of \$2.8 million, or \$0.13 per share, for the quarter ended June 30, 2008. The decrease in Net Assets Resulting from Operations between the current and prior year periods was primarily due to the higher net loss on the Company's investment portfolio. The Company recorded net loss on investments of (\$6.2) million for the three months ended June 30, 2009, compared to net loss of (\$3.9) million for the three months ended June 30, 2008.

Net Increase in Net Assets Resulting from Operations for the nine months ended June 30, 2009 was \$0.4 million, or \$0.02 per share, as compared to a Net Decrease in Net Assets Resulting from Operations of (\$7.2) million, or (\$0.37) per share, for the nine months ended June 30, 2008. The increase in Net Assets Resulting from Operations between the current and prior year periods was primarily due to the lower net loss on the Company's investment portfolio. The Company recorded net loss on investments of (\$16.5) million for the nine months ended June 30, 2009, compared to net loss of (\$27.6) million for the nine months ended June 30, 2008.

Although the aggregate investment portfolio has depreciated, the entire portfolio was fair valued at 86% of cost as of June 30, 2009. The cumulative unrealized depreciation of the Company's investments does not have an impact on its current ability to pay distributions to stockholders, although it may be an indication of future realized losses, which could ultimately reduce the Company's income available for distribution.

Total assets were \$344.3 million at June 30, 2009, as compared to \$425.7 million at September 30, 2008. Net asset value was \$11.86 per actual common share outstanding at June 30, 2009, as compared to \$12.89 per actual common share outstanding at September 30, 2008.

The annualized weighted average yield on the Company's portfolio, excluding cash, was 10.4% for the quarter ended June 30, 2009, as compared to 10.1% for the quarter ended June 30, 2008. The weighted average yield varies from period to period based on the current stated interest rate on interest-bearing investments and the amounts of loans for which interest is not accruing. The increase in the weighted average yield for the current quarter results primarily from the Company's sale of lower interest-bearing senior syndicated loans. The effect of continuing reductions in LIBOR has been mitigated by the presence of a rate floor or fixed rate on most of the non-syndicated loans held in the Company's portfolio as of June 30, 2009.

For the quarter ended June 30, 2009, the Company reported the following significant activity:

- \* Funded approximately \$7.6 million of additional investments to existing portfolio companies;
- \* Received principal repayments of approximately \$15.5 million, which included scheduled principal payments and full repayments;
- \* Received proceeds of approximately \$39.8 million from the sale of 1 non-syndicated and 15 syndicated loans (which resulted in the Company's exit from 7 portfolio companies) and recorded a corresponding realized net loss of approximately \$10.6 million;
- \* Received approximately \$123,000 in success fees in connection with the sale of one investment;
- \* Repaid in full the previous credit facility with Deutsche Bank, A.G. and entered into a new credit facility with Key Equipment Finance Company Inc. and Branch Bank and Trust Company for a \$127 million line of credit, which matures on May 14, 2010, with a one year amortization period; and
- \* Paid monthly cash distributions of \$0.07 per share for each of the months of April, May and June 2009.

At June 30, 2009, the Company had investments in 51 private companies with an aggregate cost basis of \$386.1 million and an aggregate fair

value of \$333.4 million, as noted in the following table.

	June 30, 2009	
	Cost	Fair Value
	(in thousands)	
Senior Term Debt	\$ 242,373	\$ 213,330
Senior Subordinated Term Debt	138,277	115,026
Preferred & Common Equity Securities	5,478	2,677
Total Investments	\$ 386,128	\$ 331,033

"Times remain difficult given the economy and lending environment," said Chip Stelljes, President and Chief Investment Officer. "We expect the majority of the portfolio to continue paying as agreed, although we are working hard with our portfolio companies on their performance as we move through this difficult economic and financial cycle. We are seeing some strengthening in the secondary loan market although loans continue to trade at significant discounts to original cost. Even though the values generally remained stable this quarter, we still believe the valuations are more reflective of the overall poor market for loans rather than our specific portfolio."

Subsequent to June 30, 2009, the Company:

- \* Funded approximately \$230,000 of additional investments to existing portfolio companies;
- \* Received approximately \$8.6 million of repayments, including scheduled amortizations and repayments and syndicated loan sales;
- \* Renewed its Advisory Agreement with the Adviser and Administration Agreement with the Administrator through August 31, 2010;
- \* Sold a syndicated loan with a cost value of approximately \$8.0 million at June 30, 2009, for \$6.4 million in net proceeds; and
- \* Declared monthly cash distributions of \$0.07 per common share for each of the months of July, August and September 2009.

The financial statements below are without footnotes so readers should obtain and carefully review the Company's Form 10-Q for the quarter ended June 30, 2009, including the footnotes to the financial statements contained therein. The Company has filed the Form 10-Q today with the Securities and Exchange Commission (the "SEC"), which can be retrieved from the SEC's website at [www.sec.gov](http://www.sec.gov) or from the Company's website at [www.GladstoneCapital.com](http://www.GladstoneCapital.com). A paper copy can be obtained free of charge by writing to us at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

The Company will hold a conference call Tuesday, August 4, 2009 at 8:30 am EDT. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions. A replay of the conference call will be available through September 4, 2009. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 328283. The replay will be available approximately two hours after the call concludes.

The live audio broadcast of Gladstone Capital's quarterly conference call will be available online at [www.GladstoneCapital.com](http://www.GladstoneCapital.com) and [www.investorcalendar.com](http://www.investorcalendar.com). The event will be archived and available for replay on the Company's website through November 4, 2009.

The statements in this press release regarding the longer-term prospects of and expected continued current payments from the Company's portfolio companies and the state of the secondary loan markets are "forward-looking statements." These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results to differ from these forward-looking statements include, among others, the duration and potential future effects of the current economic downturn on its portfolio companies and on the senior loan market, and those factors listed under the caption "Risk Factors" of the Company's Form 10-K for the fiscal year ended September 30, 2008, as filed with the SEC on December 2, 2008 and the Company's Quarterly Reports on Form 10-Q for the quarters ended December 31, 2008 and March 31, 2009 as filed with the SEC on February 3, 2009 and May 5, 2009, respectively. The risk factors set forth in the Form 10-K and Form 10-Qs under the caption "Risk Factors" are specifically incorporated by reference into this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLADSTONE CAPITAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF ASSETS & LIABILITIES  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	June 30, 2009	Sept. 30, 2008
ASSETS		
Non-Control/Non-Affiliate investments (Cost 6/30/09: \$357,896; 9/30/08: \$448,356)	\$ 317,501	\$ 407,153
Control investments (Cost 6/30/09: \$28,232;		

9/30/08: \$12,514)	13,532	780
	-----	-----
Total investments at fair value (Cost 6/30/09: \$386,128; 9/30/08: \$460,870)	331,033	407,933
Cash	4,566	6,493
Interest receivable - investments in debt securities	3,669	3,588
Interest receivable - employees	117	91
Due from custodian	1,631	4,544
Deferred financing fees	1,761	1,905
Prepaid assets	216	306
Other assets	1,340	838
	-----	-----
TOTAL ASSETS	\$ 344,333	\$ 425,698
	=====	=====
LIABILITIES		
Accounts payable	\$ 6	\$ 8
Interest payable	429	646
Fee due to Administrator	218	247
Due to Adviser	700	457
Borrowings under line of credit	91,700	151,030
Accrued expenses and deferred liabilities	1,119	1,328
Funds held in escrow	165	234
	-----	-----
TOTAL LIABILITIES	94,337	153,950
	-----	-----
NET ASSETS	\$ 249,996	\$ 271,748
	=====	=====
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value, 50,000,000 shares authorized and 21,087,574 shares issued and outstanding at June 30, 2009 and September 30, 2008		
	\$ 21	\$ 21
Capital in excess of par value	334,140	334,143
Notes receivable - employees	(9,170)	(9,175)
Net unrealized depreciation on investments	(55,096)	(52,937)
Unrealized depreciation on derivative	--	(304)
Distributions in excess of net investment income	(19,899)	--
	-----	-----
TOTAL NET ASSETS	\$ 249,996	\$ 271,748
	=====	=====
NET ASSETS PER SHARE	\$ 11.86	\$ 12.89
	=====	=====

GLADSTONE CAPITAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)  
(UNAUDITED)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2009	2008	2009	2008
	-----	-----	-----	-----
INVESTMENT INCOME				
Interest income - Non-Control/ Non-Affiliate investments	\$ 9,726	\$ 11,220	\$ 31,716	\$ 33,454
Interest income - Control investments	754	16	1,256	45
Interest income - Cash	--	38	11	285
Interest income - Notes receivable from employees	118	118	352	354
Prepayment fees and other income	--	28	--	34
	-----	-----	-----	-----
Total investment income	10,598	11,420	33,335	34,172
	-----	-----	-----	-----
EXPENSES				
Interest expense	1,811	1,771	6,288	5,982
Loan servicing fee	1,410	1,598	4,559	4,541
Base management fee	457	529	1,374	1,664
Incentive fee	1,060	1,340	3,326	4,089
Administration fee	218	285	656	737
Professional fees	266	167	784	706

Amortization of deferred financing fees	808	572	2,253	830
Stockholder related costs	33	34	317	292
Directors fees	55	52	151	163
Insurance expense	69	57	192	170
Other expenses	89	103	230	263
	-----	-----	-----	-----
Expenses before credit from Adviser	6,276	6,508	20,130	19,437
	-----	-----	-----	-----
Credit to base management and incentive fees from Adviser	(1,113)	(1,785)	(3,667)	(5,708)
	-----	-----	-----	-----
Total expenses net of credit to base management and incentive fees	5,163	4,723	16,463	13,729
	-----	-----	-----	-----
NET INVESTMENT INCOME	5,435	6,697	16,872	20,443
	-----	-----	-----	-----
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND DERIVATIVE:				
Net realized loss on investments	(10,594)	(86)	(14,325)	(86)
Realized (loss) gain on settlement of derivative	--	--	(304)	6
Unrealized appreciation (depreciation) on derivative	--	--	304	(12)
Net unrealized appreciation (depreciation) on investments	4,371	(3,802)	(2,158)	(27,545)
	-----	-----	-----	-----
Net loss on investments	(6,223)	(3,888)	(16,483)	(27,637)
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (788)	\$ 2,809	\$ 289	\$ (7,194)
	=====	=====	=====	=====
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:				
Basic and Diluted	\$ (0.04)	\$ 0.13	\$ 0.02	\$ (0.37)
	=====	=====	=====	=====
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and Diluted	21,087,574	21,087,574	21,087,574	19,237,203

GLADSTONE CAPITAL CORPORATION  
FINANCIAL HIGHLIGHTS  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)  
(UNAUDITED)

Three months ended June 30,		Nine months ended June 30,	
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2009	2008	2009	2008

Per Share Data (1)				
Net asset value at beginning of period	\$ 12.10	\$ 14.27	\$ 12.89	\$ 14.97
Income from investment operations:				
Net investment income (2)	0.26	0.32	0.80	1.06
Net realized loss on investments (2)	(0.50)	--	(0.68)	--
Realized loss on settlement of derivative (2)	--	--	(0.01)	--
Unrealized appreciation on derivative (2)	--	--	0.01	--
Net unrealized appreciation (depreciation) on investments (2)	0.21	(0.19)	(0.10)	(1.43)
Total from investment operations	(0.03)	(0.13)	0.02	(0.37)
Distributions to stockholders (3)	(0.21)	(0.42)	(1.05)	(1.26)
Issuance of common stock under shelf offering	--	--	--	0.68
Offering costs	--	(0.01)	--	(0.05)
Net asset value at end of period	\$ 11.86	\$ 13.97	\$ 11.86	\$ 13.97
Per share market value at beginning of period	\$ 6.26	\$ 18.71	\$ 15.24	\$ 19.52
Per share market value at end of period	\$ 7.53	\$ 15.24	\$ 7.53	\$ 15.24
Total return (4) (5)	23.88%	-16.53%	-43.15%	-16.15%
Shares outstanding at end of period	21,087,574	21,087,574	21,087,574	21,087,574
Statement of Assets and Liabilities Data:				
Net assets at end of period	\$ 249,997	\$ 294,674	\$ 249,997	\$ 294,674
Average net assets (6)	\$ 253,130	\$ 295,405	\$ 254,886	\$ 284,641
Senior Securities Data:				
Borrowings under line of credit	\$ 91,700	\$ 133,090	\$ 91,700	\$ 133,090
Asset coverage ratio (7) (8)	373%	321%	373%	321%
Asset coverage per unit (8)	\$ 3,726	\$ 3,214	\$ 3,726	\$ 3,214
Ratios/Supplemental Data:				
Ratio of expenses to average net assets -annualized (9)	9.92%	8.81%	10.53%	9.10%
Ratio of net expenses to average net assets-annualized (10)	8.16%	6.40%	8.61%	6.43%

Ratio of net investment income to average net assets-annualized	8.59%	9.07%	8.83%	9.58%
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- (1) Based on actual shares outstanding at the end of the corresponding period.
- (2) Based on weighted average basic per share data.
- (3) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.
- (4) Total return equals the change in the ending market value of the Company's common stock from the beginning of the period taking into account distributions reinvested in accordance with the terms of the Company's dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital.
- (5) Amounts were not annualized.
- (6) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.
- (7) As a business development company, the Company is generally required to maintain a ratio of at least 200% of total assets, less all liabilities and indebtedness not represented by senior securities, to total borrowings.
- (8) Asset coverage ratio is the ratio of the carrying value of the Company's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per \$1,000 of indebtedness.
- (9) Ratio of expenses to average net assets is computed using expenses before credits from Adviser to the base management and incentive fees and including income tax expense.
- (10) Ratio of net expenses to average net assets is computed using total expenses net of credits from Adviser to the base management and incentive fees and including income tax expense.

CONTACT: Gladstone Capital Corporation  
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