

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 8-K**

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**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 1, 2012**

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**Gladstone Capital Corporation**

(Exact name of registrant as specified in its charter)

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**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**

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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))

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

On August 1, 2012, Gladstone Capital Corporation issued a press release announcing its financial results for the quarter ended June 30, 2012. The text of the press release is included as an exhibit to this Current Report on Form 8-K. The information in this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing.

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

- (d) Exhibits.

| <u>Exhibit<br/>No.</u> | <u>Description</u>  |
|------------------------|---|
| 99.1                   | Press Release of Gladstone Capital Corporation, dated August 1, 2012. |

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**SIGNATURES**

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

Dated: August 1, 2012

GLADSTONE CAPITAL CORPORATION

By: /s/ David Watson  
David Watson  
Chief Financial Officer and Treasurer

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**EXHIBIT INDEX**

**Exhibit  
No.**

**Description**

99.1 Press Release of Gladstone Capital Corporation, dated August 1, 2012.



Gladstone Capital Corporation Reports Financial Results for the  
Quarter Ended June 30, 2012

- **Net Investment Income for the three and nine months ended June 30, 2012, was \$4.9 million and \$14.5 million, or \$0.23 and \$0.69 per common share, respectively.**
- **Net Decrease in Net Assets Resulting From Operations for the three and nine months ended June 30, 2012, was \$10.6 million and \$13.5 million, or \$0.50 and \$0.64 per common share, respectively.**

McLean, VA, August 1, 2012: Gladstone Capital Corporation (NASDAQ: GLAD) (the "Company") today announced earnings for the quarter ended June 30, 2012. All per share references are per basic and diluted weighted average common share outstanding, unless noted otherwise.

**Net Investment Income for three months:** Net investment income for the quarter ended June 30, 2012, was \$4.9 million, or \$0.23 per share, as compared to \$4.5 million, or \$0.22 per share, for the prior year period, an increase in net investment income of 7.4%. The increase in net investment income was largely due to an increase in interest and other income from investments for the three months ended June 30, 2012, of a combined \$1.0 million, partially offset by an increase in dividend expense, when compared to the third quarter of fiscal 2011. Interest income on investments increased by 5.2%, primarily due to an increase in the annualized weighted average yield on its interest bearing investments by 0.5% to 11.3% during the quarter ended June 30, 2012, compared to the prior year period. Other income from investments increased by 120.3% from the comparable period in 2011, due primarily to \$1.0 million in success and prepayment fees earned on early payoffs from portfolio companies during the quarter ended June 30, 2012.

Partially offsetting the increase in investment income was our payment of \$0.7 million in dividends on the Company's 7.125% Series 2016 Term Preferred Stock ("Term Preferred Stock") for the three months ended June 30, 2012 over the prior year period. There were no preferred stock dividends paid in the three months ended June 30, 2011, as no Term Preferred Stock was outstanding during that time.

**Net Investment Income for nine months:** Net investment income for the nine months ended June 30, 2012, was \$14.5 million, or \$0.69 per share, as compared to \$13.6 million, or \$0.65 per share, for the prior year period, an increase in net investment income of 6.6%. The increase in net investment income was largely due to a combined \$4.9 million increase in interest and other income from investments for the nine months ended June 30, 2012, partially offset by an increase in interest and dividend expense of \$3.8 million compared to the first nine months of fiscal 2011. Interest income on investments increased by 15.1%, mainly due to an increase in the weighted average principal balance of the Company's interest-bearing investments of \$48.9 million as of June 30, 2012, compared to the prior year period, resulting from increased investment activity during those periods. Other income from investments increased by 76.2% from the comparable period in 2011, due primarily to an increase in success and prepayment fees earned on early payoffs, which totaled \$3.0 million in the nine months ended June 30, 2012.

Partially offsetting the increase in investment income was the payment of \$1.8 million in dividends on the Company's Term Preferred Stock and the increase in interest expense due to an increase in weighted average borrowings outstanding of \$39.7 million for the nine months ended June 30, 2012 over the prior year period. No preferred stock dividends were paid for the nine months ended June 30, 2011, as no Term Preferred Stock was outstanding during that time.

**Net Decrease in Net Assets Resulting from Operations for three months:** Net decrease in net assets resulting from operations for the quarter ended June 30, 2012, was \$10.6 million, or \$0.50 per share, as compared to \$14.3 million or \$0.68 per share, for the prior year period. In addition to the increase in net investment income described above, the decrease in net decrease in net assets resulting from operations from the prior year period was driven by a decrease in the net unrealized depreciation of investments, due primarily to depreciation on several proprietary investments in the quarter ended June 30, 2011, most notably depreciation in Newhall Holdings, Inc. ("Newhall") of \$8.8 million, which were mainly caused by a decline in these portfolio companies' financial and operational performance.

**Net Decrease in Net Assets Resulting from Operations for nine months:** Net decrease in net assets resulting from operations for the nine months ended June 30, 2012, was \$13.5 million, or \$0.64 per share, as compared to \$20.6 million or \$0.98 per share, for the prior year period. In addition to the increase in net investment income described above, the decrease in net decrease in net assets resulting from operations from the prior year period was driven by depreciation on several proprietary investments, most notably \$18.4 million of depreciation on Sunshine Media Holdings ("Sunshine"), in the nine months ended June 30, 2011, due to a decline in these portfolio companies' financial and operational performance.

**Investment Portfolio Fair Value:** As of June 30, 2012, the Company's entire portfolio was fair valued at 75.7% of cost, as compared to 77.3% as of March 31, 2012, and 79.1% as of September 30, 2011. The biggest driver in the Company's net unrealized depreciation of \$16.0 million during the nine months ended June 30, 2012, was the net unrealized depreciation of \$9.2 million in Sunshine due to a decline in portfolio company financial and operational performance. Offsetting some of the Company's net unrealized depreciation was the reversal of unrealized depreciation of \$12.0 million during the nine months ended June 30, 2012, primarily related to the sale of Newhall.

**Net Asset Value:** Net asset value was \$8.91 per share as of June 30, 2012, as compared to \$10.16 per share as of September 30, 2011.

**Asset Characteristics:** Total assets were \$321.7 million at June 30, 2012, as compared to \$317.6 million at September 30, 2011. At June 30, 2012, the Company had investments in 55 portfolio companies with an aggregate cost basis of \$394.5 million and an aggregate fair value of \$298.6 million. At September 30, 2011, the Company had investments in 59 portfolio companies, with an aggregate cost basis of \$382.8 million and an aggregate fair value of \$302.9 million. As of June 30, 2012, the Company's investment portfolio at fair value was comprised of approximately 96.0% in debt securities and 4.0% in equity securities, which was consistent with the portfolio make-up as of September 30, 2011. Syndicated investments comprised 30.4% of the Company's investment portfolio at fair value as of June 30, 2012, compared to 29.9% as of September 30, 2011.

**Investment Yield:** The annualized weighted average yield on the Company's interest-bearing investments was 11.3% for the quarter ended June 30, 2012, as compared to 10.8% for the prior year quarter and was 11.0% for the nine months ended June 30, 2012, as compared to 11.2% for the prior year period. The net increase in the weighted average yield for the three months ended June 30, 2012, as compared to the third quarter of 2011 was due in part to the new proprietary investments purchased and also in part to placing lower yielding debt investments on non-accrual status during the quarter ended June 30, 2012. The slight decrease in the weighted average yield for the nine months ended June 30, 2012, as compared to the nine months of the prior year was due primarily to the restructuring of the Company's debt investments in certain of its portfolio companies to lower interest rates and additionally the purchase of syndicated loans, which generally bear lower interest rates than the Company's existing proprietary debt investments. 88.2% of the Company's debt investment portfolio as of June 30, 2012 consisted of variable rate loans with floors, as compared to 85.6% of the Company's debt investment portfolio as of June 30, 2011.

**Highlights for the Quarter:** During the quarter ended June 30, 2012, the following significant events occurred:

- **New Investment Activity:** The Company invested \$33.0 million in three new portfolio companies (of which two are highlighted below) and extended an aggregate of \$3.6 million to existing portfolio companies through revolver draws or additional equity, for an aggregate of \$36.6 million in additional investments.
  - In May 2012, the Company invested \$16.0 million through a combination of debt and equity in Francis Drilling Fluids, Ltd., a logistics network provider to oil and natural gas drilling companies.
  - In May 2012, the Company invested \$12.0 million through senior and senior subordinated term debt in POP Radio, L.P., an advertiser-supported in-store radio network provider to retailers.
- **Principal Repayments:** The Company received aggregate net repayments of \$15.2 million, which includes various scheduled and unscheduled principal repayments, including three early payoffs, at par, from Attachmate Corporate, Global Brass and Copper, Inc. and Covad Communications Group, Inc., for a combined \$8.3 million in net proceeds. The Company received an aggregate of \$0.2 million in prepayment fees from these exits. The Company also received \$0.8 million in success fees during the three months ended June 30, 2012 from an exit of Northern Contours, Inc. earlier in fiscal year 2012.
- **Distributions:** The Company paid monthly cash distributions to stockholders of \$0.07 per common share for each of April, May and June 2012. The Company also made Term Preferred Stock distributions of \$0.1484375 per preferred share in each of April, May and June 2012.

**Comments from the Company's President, Chip Stelljes:** "We focused on expanding our portfolio during the third quarter of fiscal year 2012, as we added three new deals totaling \$33.0 million. Additionally, after quarter end, we received \$1.2 million in success fees from an exit of a proprietary deal, increasing our total success fees to \$4.0 million to date in fiscal year 2012. We hope to continue to build our pipeline and fund new deals over the next several quarters to increase our net investment income and drive strong financial performance for our shareholders."

**Subsequent Events:** After June 30, 2012, the following events occurred:

- **Investment Activity:** Subsequent to June 30, 2012, the Company extended an aggregate amount of approximately \$0.3 million to three existing portfolio companies in revolver draws and received repayments of \$0.5 million from nine portfolio companies.
- **Principal Repayments:** Subsequent to June 30, 2012, the Company's investments in Winchester Electronics were paid off early at par for a total of \$12.6 million. In addition, the Company received \$1.2 million in success fees related to this early pay off.
- **Distributions Declared:** In July 2012, the Company's board of directors declared the following monthly distributions to stockholders:

| Record Date        | Payment Date                 | Distribution per Common Share | Distribution per Term Preferred Share |
|--------------------|------------------------------|-------------------------------|---------------------------------------|
| July 20, 2012      | July 31, 2012                | \$ 0.07                       | \$ 0.1484375                          |
| August 22, 2012    | August 31, 2012              | 0.07                          | 0.1484375                             |
| September 19, 2012 | September 28, 2012           | 0.07                          | 0.1484375                             |
|                    | <b>Total for the Quarter</b> | <b>\$ 0.21</b>                | <b>\$ 0.4453125</b>                   |

- **Co-Investment Order:** Subsequent to June 30, 2012, the Securities and Exchange Commission granted the Company relief sought in an exemptive application that expands its ability to co-invest in portfolio companies with certain affiliated investment funds, subject to certain circumstances, which the Company believes will enhance its ability to further its investment strategy and objectives.

**Summary Information:** The following chart is a summary of some of the information reported above (*dollars in thousands, except per share data*) (unaudited):

|  | <u>June 30, 2012</u> | <u>June 30, 2011</u>      | <u>Variance</u> | <u>% Variance</u> |
|--|----------------------|---------------------------|-----------------|-------------------|
| <b>For the Three Months Ended:</b>                   |                      |                           |                 |                   |
| Net investment income                                | \$ 4,869             | \$ 4,534                  | \$ 335          | 7.4%              |
| Net decrease in net assets resulting from operations | (10,580)             | (14,310)                  | 3,730           | 26.1              |
| Average yield on interest-bearing investments        | 11.3%                | 10.8%                     | 0.5%            | 4.6               |
| Total dollars invested                               | \$ 36,645            | \$ 66,222                 | \$(29,577)      | (44.7)            |
| Total dollars repaid                                 | 15,220               | 4,628                     | 10,592          | 228.9             |
| <b>For the Nine Months Ended:</b>                    |                      |                           |                 |                   |
| Net investment income                                | \$ 14,501            | \$ 13,600                 | \$ 901          | 6.6%              |
| Net decrease in net assets resulting from operations | (13,474)             | (20,560)                  | 7,086           | 34.5              |
| Average yield on interest-bearing investments        | 11.0%                | 11.2%                     | (0.2)%          | (1.8)             |
| Total dollars invested                               | \$ 66,254            | \$ 118,646                | \$(52,392)      | (44.2)            |
| Total dollars repaid                                 | 39,980               | 39,855                    | 125             | 0.3               |
| <br>   |                      |                           |                 |                   |
|  | <u>June 30, 2012</u> | <u>September 30, 2011</u> | <u>Variance</u> | <u>% Variance</u> |
| <b>As of:</b>  |                      |                           |                 |                   |
| Fair value as a percent of cost                      | 75.7%                | 79.1%                     | (3.4)%          | (4.3)%            |
| Net asset value per share                            | \$ 8.91              | \$ 10.16                  | \$ (1.25)       | (12.3)            |
| Number of portfolio companies                        | 55                   | 59                        | (4)             | (6.8)             |
| Total assets at fair value                           | \$ 321,706           | \$ 317,624                | \$ 4,082        | 1.3               |

**Conference Call for Stockholders:** The Company will hold its earnings conference call on Thursday, August 2, 2012, at 8:30 a.m. EDT. Please call (800) 860-2442 to enter the conference. An operator will monitor the call and set a queue for any questions. A replay of the conference call will be available from the date of the call through September 3, 2012. To hear the replay, please dial (877) 344-7529 and use conference passcode number 10016021. The replay will be available beginning approximately one hour after the call concludes.

The live audio broadcast of the Company's quarterly conference call will also be available online at [www.GladstoneCapital.com](http://www.GladstoneCapital.com). The event will be archived and available for replay on the website from the date of the call through October 3, 2012.

**Warning:** The financial statements below are without notes, so readers should obtain and carefully review the Company's Form 10-Q for the fiscal quarter ended June 30, 2012, including the notes to the financial statements contained therein. The Company has filed the Form 10-Q today with the



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Securities and Exchange Commission (“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). To obtain a paper copy, please contact the Company at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

Gladstone Capital Corporation is a publicly traded business development company that invests in debt securities consisting primarily of senior term loans, second term lien loans, and senior subordinate term loans in small and medium sized U.S. businesses. The Company has paid 105 consecutive monthly cash distributions on its common stock. Before the Company started paying monthly distributions, it paid eight consecutive quarterly cash distributions. Information on the business activities of all the Gladstone funds can be found at [www.gladstonecompanies.com](http://www.gladstonecompanies.com).

For Investor Relations inquiries related to any of the monthly dividend paying Gladstone funds, please visit [www.gladstone.com](http://www.gladstone.com).

SOURCE: Gladstone Capital Corporation, +1-703-287-5893

*The statements in this press release regarding the ability of the Company to manage its existing portfolio, grow its portfolio and increase its net investment income over the long term and other such statements 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 effects of the current economic instability on the Company’s portfolio companies and on the senior loan market, and the Company’s ability to access debt and equity capital along with those factors listed under the caption “Risk Factors” in the Company’s Post-Effective Amendment No. 7 to its registration statement on Form N-2 (file No. 333-162592), filed with the SEC on June 4, 2012 and declared effective June 11, 2012. Such “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 AND LIABILITIES**  
**(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**  
**(UNAUDITED)**

|  | <b>June 30,<br/>2012</b> | <b>September 30,<br/>2011</b> |
|--|--------------------------|-------------------------------|
| <b>ASSETS</b>  |                          |                               |
| Investments at fair value  |                          |                               |
| Non-Control/Non-Affiliate investments (Cost of <b>\$293,579</b> and \$288,266, respectively)   | <b>\$260,757</b>         | \$ 257,302                    |
| Control investments (Cost of <b>\$100,923</b> and \$94,549, respectively)  | <b>37,830</b>            | 45,645                        |
| Total investments at fair value (Cost of <b>\$394,502</b> and \$382,815, respectively)   | <b>298,587</b>           | 302,947                       |
| Cash   | <b>9,327</b>             | 6,732                         |
| Restricted cash  | <b>1,175</b>             | —                             |
| Interest receivable – investments in debt securities   | <b>2,871</b>             | 3,066                         |
| Interest receivable – employees  | <b>62</b>                | —                             |
| Due from custodian   | <b>5,410</b>             | 2,547                         |
| Deferred financing fees  | <b>3,212</b>             | 650                           |
| Other assets   | <b>1,062</b>             | 1,682                         |
| <b>TOTAL ASSETS</b>  | <b><u>\$321,706</u></b>  | <b><u>\$ 317,624</u></b>      |
| <b>LIABILITIES</b>   |                          |                               |
| Borrowings at fair value (Cost of <b>\$87,300</b> and \$99,400, respectively)  | <b>\$ 91,777</b>         | \$ 100,012                    |
| Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; <b>4,000,000</b> and no shares authorized; <b>1,539,882</b> and no shares issued and outstanding at June 30, 2012 and September 30, 2011, respectively | <b>38,497</b>            | —                             |
| Accounts payable and accrued expenses  | <b>339</b>               | 513                           |
| Interest payable   | <b>225</b>               | 289                           |
| Fees due to Adviser  | <b>1,726</b>             | 1,760                         |
| Fee due to Administrator   | <b>175</b>               | 194                           |
| Other liabilities  | <b>1,954</b>             | 1,135                         |
| <b>TOTAL LIABILITIES</b>   | <b><u>\$134,693</u></b>  | <b><u>\$ 103,903</u></b>      |
| Commitments and contingencies  |                          |                               |
| <b>NET ASSETS</b>  | <b><u>\$187,013</u></b>  | <b><u>\$ 213,721</u></b>      |
| <b>ANALYSIS OF NET ASSETS</b>  |                          |                               |
| Common stock, \$0.001 par value per share, <b>46,000,000</b> and 50,000,000 shares authorized; <b>21,000,160</b> and 21,039,242 shares issued and outstanding at June 30, 2012 and September 30, 2011, respectively  | <b>\$ 21</b>             | \$ 21                         |
| Capital in excess of par value   | <b>326,580</b>           | 326,913                       |
| Notes receivable from employees  | <b>(3,519)</b>           | (3,858)                       |
| Cumulative net unrealized depreciation of investments  | <b>(95,915)</b>          | (79,867)                      |
| Cumulative net unrealized appreciation of borrowings   | <b>(4,477)</b>           | (612)                         |
| Net investment income in excess of distributions   | <b>108</b>               | 108                           |
| Accumulated net realized losses  | <b>(35,785)</b>          | (28,984)                      |
| <b>TOTAL NET ASSETS</b>  | <b><u>\$187,013</u></b>  | <b><u>\$ 213,721</u></b>      |
| <b>NET ASSET VALUE PER COMMON SHARE AT END OF PERIOD</b>   | <b><u>\$ 8.91</u></b>    | <b><u>\$ 10.16</u></b>        |

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

|  | Three Months Ended June 30, |                    | Nine Months Ended June 30, |                    |
|--|-----------------------------|--------------------|----------------------------|--------------------|
|  | 2012                        | 2011               | 2012                       | 2011               |
| <b>INVESTMENT INCOME</b>   |                             |                    |                            |                    |
| Interest income  |                             |                    |                            |                    |
| Non-Control/Non-Affiliate investments  | \$ 8,093                    | \$ 7,028           | \$ 23,822                  | \$ 19,722          |
| Control investments  | 827                         | 1,406              | 3,236                      | 3,604              |
| Cash   | 1                           | —                  | 7                          | 1                  |
| Notes receivable from employees  | 62                          | 102                | 192                        | 346                |
| Total interest income  | 8,983                       | 8,536              | 27,257                     | 23,673             |
| Other income   |                             |                    |                            |                    |
| Non-Control/Non-Affiliate investments  | 978                         | 444                | 3,020                      | 1,089              |
| Control investments  | —                           | —                  | —                          | 625                |
| Total other income   | 978                         | 444                | 3,020                      | 1,714              |
| Total investment income  | 9,961                       | 8,980              | 30,277                     | 25,387             |
| <b>EXPENSES</b>  |                             |                    |                            |                    |
| Base management fee  | 1,561                       | 1,451              | 4,655                      | 4,164              |
| Incentive fee  | 1,217                       | 1,133              | 3,556                      | 3,395              |
| Administration fee   | 175                         | 174                | 579                        | 535                |
| Interest expense on borrowings   | 1,167                       | 958                | 3,305                      | 1,316              |
| Dividend expense on mandatorily redeemable preferred stock                   | 686                         | —                  | 1,806                      | —                  |
| Amortization of deferred financing fees                                      | 252                         | 368                | 987                        | 1,032              |
| Professional fees  | 135                         | 360                | 790                        | 894                |
| Other general and administrative expenses                                    | 281                         | 196                | 1,054                      | 799                |
| Expenses before credits from Adviser   | 5,474                       | 4,640              | 16,732                     | 12,135             |
| Credits to fees from Adviser   | (382)                       | (194)              | (956)                      | (348)              |
| Total expenses net of credits  | 5,092                       | 4,446              | 15,776                     | 11,787             |
| <b>NET INVESTMENT INCOME</b>   | <b>4,869</b>                | <b>4,534</b>       | <b>14,501</b>              | <b>13,600</b>      |
| <b>REALIZED AND UNREALIZED GAIN (LOSS)</b>                                   |                             |                    |                            |                    |
| Net realized gain (loss):  |                             |                    |                            |                    |
| Non-Control/Non-Affiliate investments  | 150                         | —                  | (8,062)                    | 161                |
| Control investments  | —                           | (2)                | —                          | (158)              |
| Total net realized gain (loss)   | 150                         | (2)                | (8,062)                    | 3                  |
| Net unrealized (depreciation) appreciation:                                  |                             |                    |                            |                    |
| Non-Control/Non-Affiliate investments  | (5,128)                     | (13,706)           | (1,862)                    | (21,768)           |
| Control investments  | (5,994)                     | (5,083)            | (14,186)                   | (13,035)           |
| Borrowings   | (4,477)                     | (53)               | (3,865)                    | 640                |
| Net unrealized depreciation  | (15,599)                    | (18,842)           | (19,913)                   | (34,163)           |
| Net realized and unrealized loss   | (15,449)                    | (18,844)           | (27,975)                   | (34,160)           |
| <b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>                  | <b>\$ (10,580)</b>          | <b>\$ (14,310)</b> | <b>\$ (13,474)</b>         | <b>\$ (20,560)</b> |
| <b>NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE</b> |                             |                    |                            |                    |
| Basic and Diluted  | \$ (0.50)                   | \$ (0.68)          | \$ (0.64)                  | \$ (0.98)          |
| <b>WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING</b>                   |                             |                    |                            |                    |
| Basic and Diluted  | 21,000,160                  | 21,039,242         | 21,014,805                 | 21,039,242         |

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

|   | Three Months Ended June 30, |                 | Nine Months Ended June 30, |                 |
|---|-----------------------------|-----------------|----------------------------|-----------------|
|   | 2012                        | 2011            | 2012                       | 2011            |
| <b>Per Common Share Data<sup>(A)</sup></b>  |                             |                 |                            |                 |
| Net asset value at beginning of period  | \$ 9.62                     | \$ 11.18        | \$ 10.16                   | \$ 11.85        |
| Net investment income <sup>(B)</sup>  | 0.23                        | 0.22            | 0.69                       | 0.65            |
| Net realized gain (loss) on investments <sup>(B)</sup>                            | 0.01                        | —               | (0.38)                     | —               |
| Net unrealized depreciation of investments <sup>(B)</sup>                         | (0.53)                      | (0.90)          | (0.76)                     | (1.66)          |
| Net unrealized (appreciation) depreciation of borrowings <sup>(B)</sup>           | (0.21)                      | —               | (0.19)                     | 0.03            |
| Distributions to common stockholders from net investment income <sup>(B)(C)</sup> | (0.21)                      | (0.21)          | (0.63)                     | (0.63)          |
| Repayment of principal on employee notes  | —                           | 0.05            | 0.02                       | 0.10            |
| Stock redemption for repayment on employee notes                                  | —                           | —               | (0.02)                     | —               |
| Other, net <sup>(D)</sup>   | —                           | —               | 0.02                       | —               |
| Net asset value at end of period  | <u>\$ 8.91</u>              | <u>\$ 10.34</u> | <u>\$ 8.91</u>             | <u>\$ 10.34</u> |
| Market value at beginning of period   | \$ 8.11                     | \$ 11.31        | \$ 6.86                    | \$ 11.27        |
| Market value at end of period   | 7.89                        | 9.24            | 7.89                       | 9.24            |
| Total return <sup>(E)</sup>   | (0.06)%                     | (16.6)%         | 24.39%                     | (13.24)%        |
| Common shares outstanding at end of period  | 21,000,160                  | 21,039,242      | 21,000,160                 | 21,039,242      |
| <b>Statement of Assets and Liabilities Data:</b>                                  |                             |                 |                            |                 |
| Net assets at end of period   | \$ 187,013                  | \$ 217,536      | \$ 187,013                 | \$ 217,536      |
| Average net assets <sup>(F)</sup>   | 197,354                     | 228,291         | 205,115                    | 242,754         |
| <b>Senior Securities Data:</b>  |                             |                 |                            |                 |
| Borrowings under Credit Facility, at cost   | 87,300                      | 92,200          | 87,300                     | 92,200          |
| Mandatorily redeemable preferred stock  | 38,497                      | —               | 38,497                     | —               |
| Asset coverage ratio <sup>(G)</sup>   | 251%                        | 336%            | 251%                       | 336%            |
| Asset coverage per unit <sup>(H)</sup>  | \$ 2,512                    | \$ 3,358        | \$ 2,512                   | \$ 3,358        |
| <b>Ratios/Supplemental Data:</b>  |                             |                 |                            |                 |
| Ratio of expenses to average net assets-annualized <sup>(I)</sup>                 | 11.09%                      | 8.13%           | 10.88%                     | 6.66%           |
| Ratio of net expenses to average net assets-annualized <sup>(J)</sup>             | 10.32                       | 7.79            | 10.25                      | 6.47            |
| Ratio of net investment income to average net assets-annualized                   | 9.86                        | 7.94            | 9.43                       | 7.47            |

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

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

(C) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under generally accepted accounting principles in the U.S.

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

(E) Total return equals the change in the ending market value of our common stock from the beginning of the period, taking into account distributions reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. Total return is not annualized.

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

(G) As a business development company, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the Investment Company Act of 1940, as amended, of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. Our mandatorily redeemable preferred stock is a senior security that is stock.

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

(I) Ratio of expenses to average net assets is computed using expenses before credits from our investment adviser to the base management and incentive fees and including income tax expense.

(J) Ratio of net expenses to average net assets is computed using total expenses net of credits from our investment adviser to the base management and incentive fees and including income tax expense.