





Gladstone Capital is a publicly traded business development company that provides loans to small and medium-sized businesses, across the United States to generate income to support consistent monthly distributions to stockholders. Our company seeks to invest in a diversified portfolio of established private companies with profitable operations and strong management teams. Gladstone Capital does not limit its investments to any particular industries and has invested in a broad diversity of businesses including manufacturing, distribution, and service sectors. To learn about our company, visit our website at [www.GladstoneCapital.com](http://www.GladstoneCapital.com). You can follow us on Twitter, username "GladstoneComps," and on Facebook, keyword "The Gladstone Companies." Our common and preferred stock are traded on the NASDAQ Global Select Market under the trading symbols GLAD and GLADO, respectively.

Our headquarters are located in the Washington, DC, suburb of McLean, VA, and we also have offices in New York, NY, Chicago, IL, and Los Angeles, CA.

**PICTURED ON THE COVER:**  
The United States Capitol  
*Photographed by Fred Hirschmann*

**PICTURED ABOVE:**  
Inside the Statuary Hall in the United States  
Capitol Building in Washington, DC.  
*Photographed by Scott S. Warren*

## Consolidated Selected Financial and Other Data

	YEAR ENDED SEPTEMBER 30,				
(Dollar amounts in thousands, except per share data)	2015	2014	2013	2012	2011
<b>Statement of Operations Data:</b>					
Total Investment Income	\$ 38,058	\$ 36,585	\$ 36,154	\$ 40,322	\$ 35,211
Total Expenses, Net of Credits from Adviser	20,358	18,217	17,768	21,278	16,799
Net Investment Income	17,700	18,368	18,386	19,044	18,412
Net Realized and Unrealized (Loss) Gain on Investments, Borrowings and Other	(9,216)	(7,135)	13,833	(27,052)	(39,511)
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 8,484	\$ 11,233	\$ 32,219	\$ (8,008)	\$ (21,099)
<b>Per Share Data:</b>					
Net Investment Income per Common Share—Basic and Diluted <sup>(A)</sup>	\$ 0.84	\$ 0.87	\$ 0.88	\$ 0.91	\$ 0.88
Net Increase (Decrease) in Net Assets Resulting from Operations per Common Share—Basic and Diluted <sup>(A)</sup>	0.40	0.53	1.53	(0.38)	(1.00)
Cash Distributions Declared Per Common Share	0.84	0.84	0.84	0.84	0.84
<b>Statement of Assets and Liabilities Data:</b>					
Total Assets	\$382,482	\$301,429	\$295,091	\$293,402	\$317,624
Net Assets	191,444	199,660	205,992	188,564	213,721
Net Asset Value Per Common Share	9.06	9.51	9.81	8.98	10.16
Common Shares Outstanding	21,131,622	21,000,160	21,000,160	21,000,160	21,039,242
Weighted Common Shares Outstanding—Basic and Diluted	21,066,844	21,000,160	21,000,160	21,011,123	21,039,242
<b>Senior Securities Data:</b>					
Borrowings Under Credit Facility, at Cost <sup>(B)</sup>	\$127,300	\$ 36,700	\$ 46,900	\$ 58,800	\$ 99,400
Mandatorily Redeemable Preferred Stock <sup>(B)</sup>	61,000	61,000	38,497	38,497	—

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

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

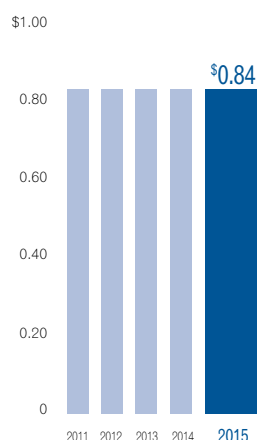
	YEAR ENDED SEPTEMBER 30,				
(Dollar amounts in thousands)	2015	2014	2013	2012	2011
<b>Other Unaudited Data:</b>					
Number of Portfolio Companies at Year End	48	45	47	50	59
Average Size of Portfolio Company Investment at Cost	\$ 8,547	\$ 7,762	\$ 7,069	\$ 7,300	\$ 6,488
Principal Amount of New Investments	102,299	81,731	80,418	45,050	110,903
Proceeds from Loan Repayments and Investments Sold	40,273	72,560	117,048	73,857	50,002
Weighted Average Yield on Investments <sup>(C)</sup>	10.93%	11.47%	11.63%	11.25%	11.21%
Total Return <sup>(D)</sup>	2.40	9.62	9.90	41.39	(33.77)

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

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

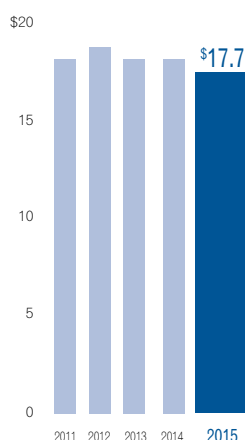
### Cash Distributions Declared per Common Share

Fiscal Year Ended September 30



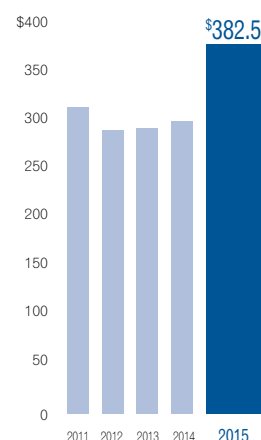
### Net Investment Income

Fiscal Year Ended September 30  
(dollars in millions)



### Total Assets

As of September 30  
(dollars in millions)



## To Our Shareholders,

Our results for the fiscal year ended September 30, 2015 were very positive, driven by the increase in new investments and reduced portfolio risk profile while maintaining our investment yields. The fair value of our investments grew by 30.1% driven by \$102 million of lower risk senior secured middle market loans. We maintained an average yield on our investment portfolio of 11.3% which combined with lower average financing costs generated net investment income to cover 100% of the common shareholder distributions. At year end, the yield on our common stock was 9.6%, which is well above many alternative and higher risk investment funds. Looking forward to 2016, our recent monetization of a large equity investment and reduced management fee have improved the outlook for future dividend increases.

During the year, we made 11 new loans, which included adding 5 new private equity funds as clients. In addition, we made new loans to several of our existing borrowers to help them expand their operations. Fiscal year 2015 was also a year of transition, as we exited several non-accrual loans and invested the proceeds in new companies that are paying their interest. Lastly, we will continue to emphasize portfolio diversity by industry and investment size to support the income that we can use to pay monthly distributions to our shareholders. We ended the year with investments in 48 businesses, representing 20 different industries and an average investment balance of \$8.5 million and we are well positioned to make more loans to growth oriented, lower middle-market companies.

### Our financial accomplishments for the year ended September 30, 2015 include:

- Paid monthly cash distributions totaling \$0.84 per share, bringing the cumulative distributions paid per share since inception to \$16.09 per share and the consecutive distributions paid to 152;
- Invested an additional \$102.3 million in new portfolio companies and \$31.8 million in existing portfolio companies, which resulted in net portfolio growth of \$93.8 million for the year;
- Continued our conservative investment strategy as more than 8 of the new investments for the year were secured first lien investments which raised the total first lien loans to 56% of the portfolio and secured debt investments to 90%;
- Maintained an average yield of 11.3% on the portfolio and current leverage through our position for the new transactions was 3.5x; and
- Amended our bank credit facility to extend it to January 2019, reduced interest costs and fees while increasing the commitment to \$170.0 million.

**FINANCIAL RESULTS:** Our earnings from operations were \$8.5 million for the fiscal year ended September 30, 2015, or \$0.40 per share. Net investment income also remained consistent year over year at \$17.7 million.

The net asset value, as reflected in our balance sheet, declined 4.1% from \$199.7 million as of September 30, 2014 to \$191.4 million as of September 30, 2015. Net asset value decreased by 4.7% year over year to \$9.06 per share as of September 30, 2015. The fair value as a percentage of cost basis of our portfolio increased from 80.5% as of September 30, 2014 to 89.2% as of September 30, 2015, as we exited a number of under-performing investments.

As of the date of this letter, we are down to one non-accrual asset in our portfolio.



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We are well positioned to grow our assets and distributions with the continued flow of attractive lower middle market loan opportunities and trends favoring non-bank lenders going into 2016 and beyond.

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**INVESTMENT CLIMATE:** We believe there are many opportunities in the current marketplace for lending to small and medium-sized companies, whereby we can achieve attractive risk-adjusted returns. In particular, we believe the general health of the U.S. economy, as well as specific factors reducing the lending by banks, have benefited our company. We have focused our investment origination efforts in support of private equity firms and well capitalized companies to reduce our debt investment risks. We will continue to emphasize our investment advisor's long-standing dedication, extensive experience and reputation in serving companies in the lower middle market. We have the ability to offer flexible, customized financing solutions to support the growth of smaller businesses. However, the risk profile of companies in the lower middle market is different than that of the broader syndicated debt capital markets and our advisor's focus and experience in managing these risks through various economic cycles, will prove a key differentiator over time.

**OBJECTIVES AND OUTLOOK:** Our objective going into fiscal year 2016 is to maintain our strong credit discipline while continuing to grow the portfolio in order to increase interest income and support an increase in shareholder distributions. Our team is dedicated to reinforcing our position as one of the well-recognized debt providers to small and medium-sized, privately-held companies in the U.S., which has demonstrated the ability to withstand various economic cycles and produce consistent returns for our shareholders. We believe our portfolio and capital base are well positioned to withstand the modest increase in interest rates

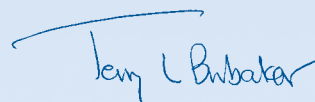
expected in FY 2016 and other global commodity or capital market volatility. We believe Gladstone Capital is an attractive investment for investors seeking an attractive yield from consistent monthly distributions supported by a well secured loan portfolio. We have demonstrated strong returns on our stock and for the fiscal year ended September 30, 2015 we topped our business development peer group with a total return of 16.9%.

Our Annual Stockholders' Meeting will take place on February 11, 2016, at the Gladstone Headquarters located at 1521 Westbranch Drive, Suite 100, McLean, VA. We hope to see you there. Please make sure to vote your shares. We invite you all to visit our website, [www.GladstoneCapital.com](http://www.GladstoneCapital.com), and sign up for email notices to keep up with all our activities.

Thank you for your continued support.



**David Gladstone**  
Chairman of the Board and Chief Executive Officer



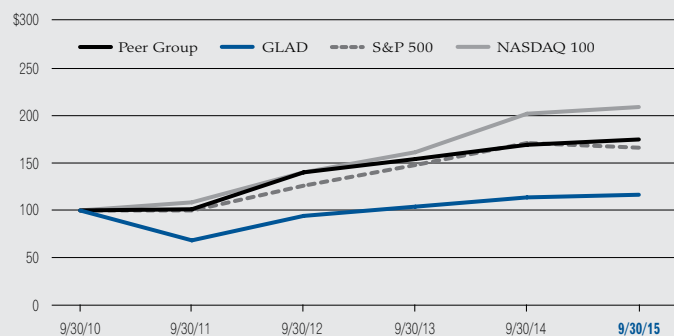
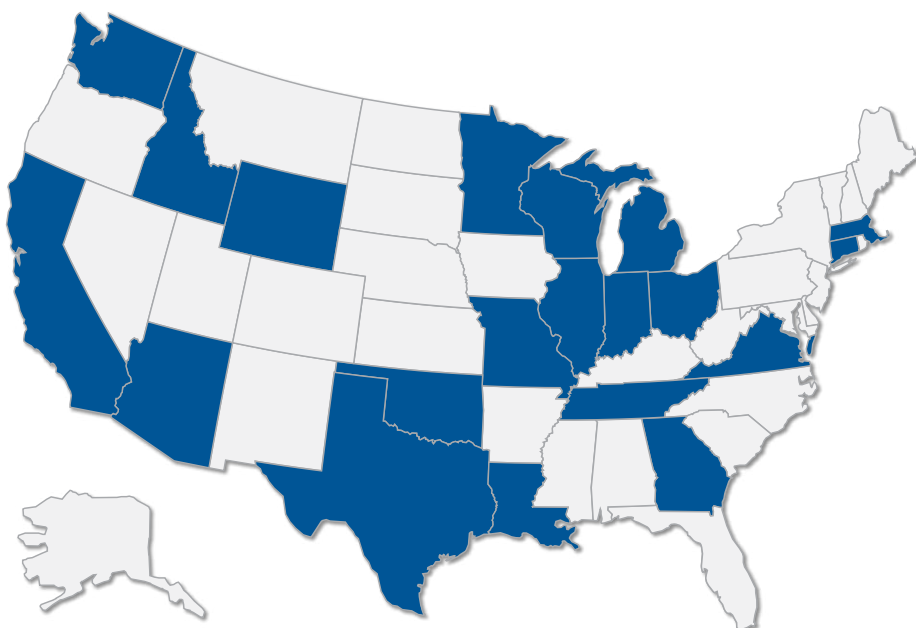
**Terry L. Brubaker**  
Vice Chairman of the Board and Chief Operating Officer



**Robert L. Marcotte**  
President



Loans range from \$5 MILLION TO \$30 MILLION WITH TERMS OF UP TO SEVEN YEARS.

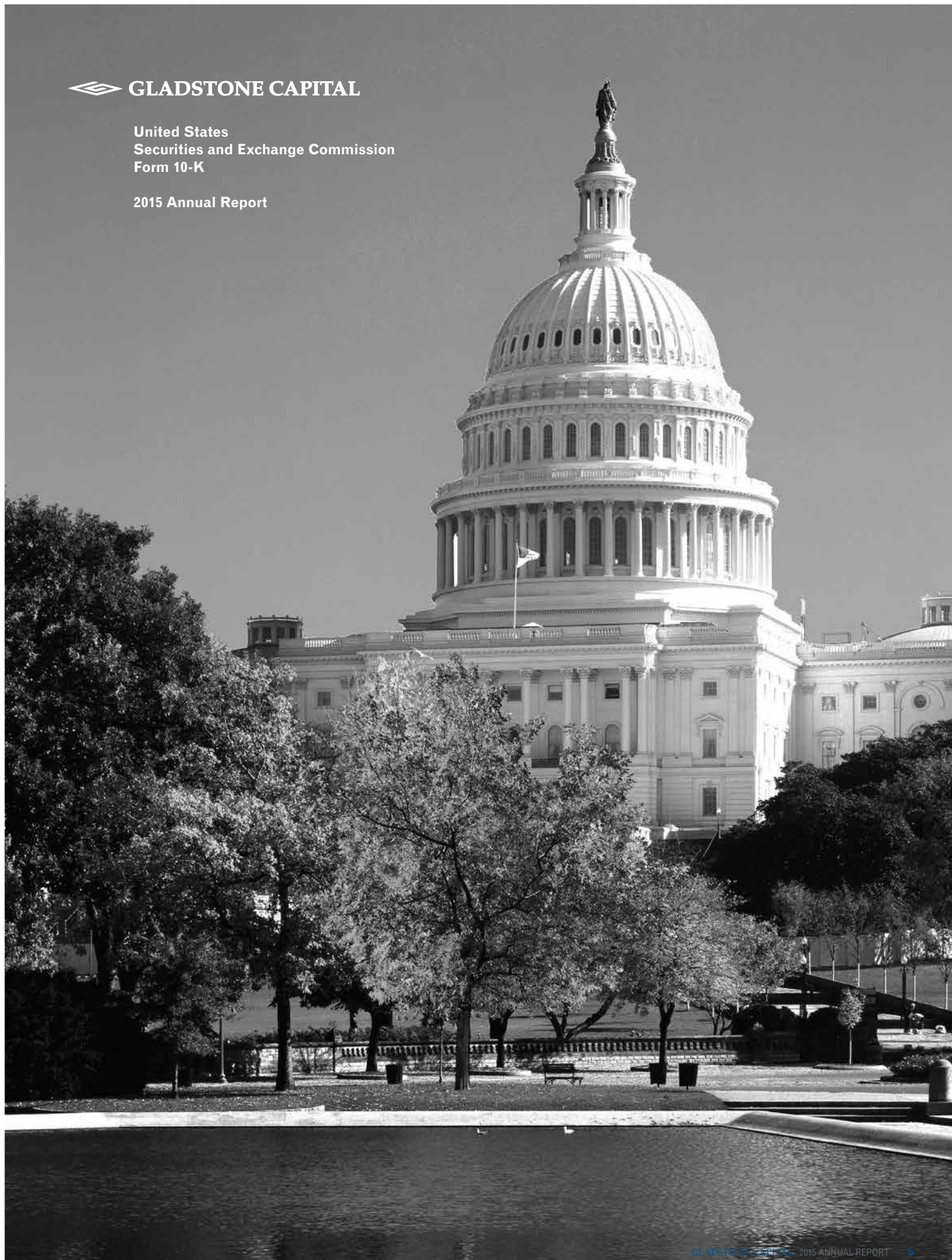


	Peer Group	GLAD	S&P 500	NASDAQ 100
9/30/10	\$100	\$100	\$100	\$100
9/30/11	\$101	\$ 67	\$ 99	\$107
9/30/12	\$140	\$ 94	\$126	\$140
9/30/13	\$154	\$104	\$148	\$161
9/30/14	\$169	\$115	\$173	\$203
9/30/15	\$175	\$117	\$168	\$209



United States  
Securities and Exchange Commission  
Form 10-K

2015 Annual Report



LAST PAGE OF THE 10-K

## Corporate Information

### Board of Directors and Executive Officers

#### David Gladstone

*Chairman of the Board and Chief Executive Officer*

#### Terry L. Brubaker

*Vice Chairman of the Board and Chief Operating Officer*

#### Robert L. Marcotte

*President*

#### Melissa Morrison

*Chief Financial Officer and Treasurer*

#### Paul Adelgren

*Director, Pastor of Missionary Alliance Church*

#### Michela A. English

*Director, President and CEO of Fight for Children*

#### Caren D. Merrick

*Director, Founder and CEO of Pocket Mentor*

#### John H. Outland

*Director, Private Investor*

#### Anthony W. Parker

*Director, Founder and Chairman of Parker Tide Corp.*

#### Walter H. Wilkinson, Jr.

*Director, Chairman and CEO of Kitty Hawk Capital, Inc.*

### Other Officers

#### Jay Beckhorn

*Assistant Treasurer*

#### Jack Dellafiora

*Chief Compliance Officer*

#### Michael LiCalsi

*General Counsel and Secretary*

### Management Team

#### Michael Beckett

*Director*

#### Zoltan Berty

*Managing Director*

#### John Freal

*Managing Director*

#### Laura Gladstone

*Managing Director*

#### Mike McQuigg

*Director*

#### David Meier

*Managing Director*

#### John Sateri

*Managing Director*

### Stock Exchange Listing

The common and preferred stock of the company trade on the NASDAQ Global Select Market under the symbols GLAD and GLADO, respectively.

### Transfer Agent

Computershare, Inc.

PO Box 43006

Providence, RI 02940

### Stockholder Inquiries

Website: [www.computershare.com/investor](http://www.computershare.com/investor)

Toll Free Dedicated Number:

1-866-214-7543

Foreign Stockholders:

1-201-680-6578

TDD Hearing Impaired:

1-800-231-5469

TDD Foreign Stockholders:

1-201-680-6610

### Financial Information

Stockholders may receive a copy of the company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q by contacting the company or going to the company's website at [www.GladstoneCapital.com](http://www.GladstoneCapital.com), the SEC's website at [www.SEC.gov](http://www.SEC.gov) or by visiting the SEC at 100 F Street NE, Washington, DC 20549.

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

### Legal Counsel

K&L Gates LLP

Bass, Berry & Sims PLC

### Company Website

[www.GladstoneCapital.com](http://www.GladstoneCapital.com)

This 2015 Annual Report contains forward-looking statements. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," "goal," or other similar words. Readers of this 2015 Annual Report should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statements made in this report. Factors that could cause or contribute to such differences include, but are not limited to, changes in general economic and business conditions, industry trends, changes in government rules and regulations (including changes in tax laws) and environmental rules and regulations. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this 2015 Annual Report.

### Jacoby

*Office mascot and official greeter at the McLean, VA headquarters.*



GLADSTONE CAPITAL CORPORATION

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