

# Gladstone Capital Corporation Reports Results for the Fourth Quarter and Fiscal Year Ended September 30, 2009

- \* Net Investment Income for the quarter ended September 30, 2009 was \$4.2 million or \$0.20 per common share
- \* Net Investment Income for the fiscal year ended September 30, 2009 was \$21.0 million or \$1.00 per common share

MCLEAN, Va., Nov. 23, 2009 (GLOBE NEWSWIRE) -- Gladstone Capital Corp. (Nasdaq:GLAD) (the "Company") today announced earnings both for the quarter and fiscal year ended September 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 September 30, 2009 was \$4.2 million, or \$0.20 per share, as compared to \$6.1 million, or \$0.29 per share, for the prior year, a decrease of 31%. Net Investment Income for the fiscal year ended September 30, 2009 was \$21.0 million, or \$1.00 per share, as compared to \$26.6 million, or \$1.35 per share, for the prior year period, a decrease in Net Investment Income of 21% and a decrease of 26% per share. Net Investment Income decreased primarily due to a decline in investment income resulting from the sale of loans, 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 September 30, 2008. The per-share results were also adversely impacted by the issuance of additional shares in public offerings during the fiscal year ended September 30, 2008.

Net Increase in Net Assets Resulting from Operations for the quarter ended September 30, 2009 was \$3.4 million, or \$0.16 per share, as compared to a Net Decrease in Net Assets Resulting from Operations of \$14.1 million, or \$0.67 per share, for the prior year period. The improvement in Net 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 \$0.8 million for the quarter ended September 30, 2009, compared to net loss of \$20.2 million for the prior year period.

Net Increase in Net Assets Resulting from Operations for the fiscal year ended September 30, 2009 was \$3.8 million, or \$0.18 per share, as compared to a Net Decrease in Net Assets Resulting from Operations of \$21.3 million, or \$1.08 per share, for the prior year. The increase in Net Assets Resulting from Operations from 2008 to 2009 was primarily due to the lower net loss on the Company's investment portfolio. The Company recorded net loss on investments of \$17.2 million for the fiscal year ended September 30, 2009, compared to net loss of \$47.8 million for the prior year.

The aggregate investment portfolio has appreciated since June 30, 2009. As of September

30, 2009, the entire portfolio was fair valued at 88% of cost. 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 \$335.9 million at September 30, 2009, as compared to \$425.7 million at September 30, 2008. Net asset value was \$11.81 per actual common share outstanding at September 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 9.9% for the quarter and fiscal year ended September 30, 2009, as compared to 9.7% and 10.2% for the quarter and fiscal year ended September 30, 2008, respectively. 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 September 30, 2009.

For the fiscal year ended September 30, 2009, the Company reported the following significant activity:

- \* Funded approximately \$26.4 million of additional investments to existing portfolio companies;
- \* Received principal repayments of approximately \$47.5 million, which included scheduled principal payments and full repayments;
- \* Received aggregate net proceeds of approximately \$49.2 million from the sale/exit of non-syndicated and syndicated loans;
- \* Received approximately \$0.4 million in success fees in connection with two investment refinancings and one amendment;
- \* Converted three non-performing Non-Control/Non-Affiliate investments with an aggregate cost basis of approximately \$37.0 million into Control investments;
- \* Repaid in full the previous credit facility with Deutsche Bank, A.G. and entered into a new credit facility with Key Equipment Finance Inc. and Branch Bank and Trust Company for a \$127.0 million line of credit, which matures on May 14, 2010, with a one year amortization period;
- \* Renewed its advisory agreement with Gladstone Management Corporation and administration agreement with Gladstone Administration, LLC through August 31, 2010; and
- \* Paid monthly cash distributions of \$0.14 per share for each of the months of October 2008 through March 2009 and \$0.07 per share for each of the months of April through September 2009.

At September 30, 2009, the Company had investments in 48 private companies with an aggregate cost basis of \$364.4 million and an aggregate fair value of \$321.0 million, as noted in the following table.

	Cost	Fair Value
	-----	-----
	(in thousands)	
Senior Term Debt	\$ 240,172	\$ 212,290
Senior Subordinated Term Debt	118,743	105,794
Preferred Equity Securities	2,028	--
Common Equity Securities	3,450	2,885
	-----	-----
Total Investments	\$ 364,393	\$ 320,969
	=====	=====

"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 primarily more reflective of the overall poor market for loans rather than the performance of our specific portfolio."

Subsequent to September 30, 2009, the Company:

- \* Funded approximately \$1.6 million of additional investments to existing portfolio companies;
- \* Received approximately \$7.8 million of repayments, including scheduled amortizations and repayments and syndicated loan sales;
- \* Reduced the size of its credit facility by \$20.0 million from \$127.0 million to \$107.0 million, which did not affect the Company's availability;
- \* Filed a registration statement on Form N-2 with the Securities and Exchange Commission (the "SEC") on October 20, 2009. If and when it is declared effective, it will permit the Company to issue, through one or more transactions, up to an aggregate of \$300 million in securities, consisting of common stock, senior common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, or a combination of these securities; and
- \* Declared monthly cash distributions of \$0.07 per common share for each of the months of October, November and December 2009.

The financial statements below are without footnotes so readers should obtain and carefully review the Company's Form 10-K for the fiscal year ended September 30, 2009, including the footnotes to the financial statements contained therein. The Company has filed the Form 10-K today with 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.GlastoneCapital.com](http://www.GlastoneCapital.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, November 24, 2009 at 8:30 am EST. 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 December 24, 2009. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 334833. 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 February 24, 2010.

For further information contact Investor Relations at 703-287-5839.

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, 2009, as filed with the SEC on November 23, 2009. The risk factors set forth in the Form 10-K 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)

	Sept. 30, 2009	Sept. 30, 2008
	-----	-----
ASSETS		
Non-Control/Non-Affiliate investments (Cost 9/30/09: \$312,043; 9/30/08: \$448,356)	\$ 286,997	\$ 407,153
Control investments (Cost 9/30/09: \$52,350; 9/30/08: \$12,514)	33,972	780
	-----	-----
Total investments at fair value (Cost 9/30/09: \$364,393; 9/30/08 \$460,870)	320,969	407,933
Cash	5,276	6,493
Interest receivable - investments in debt securities	3,048	3,588
Interest receivable - employees	85	91
Due from custodian	3,059	4,544
Due from Adviser	69	--
Deferred financing fees	1,230	1,905
Prepaid assets	341	306
Other assets	1,833	838
	-----	-----
TOTAL ASSETS	\$ 335,910	\$ 425,698
	=====	=====
LIABILITIES		
Accounts payable	\$ 67	\$ 8
Interest payable	378	646
Fee due to Administrator	216	247
Due to Adviser	834	457

Borrowings under line of credit (Cost 9/30/09: \$83,000; 9/30/08: \$151,030)	83,350	151,030
Accrued expenses and deferred liabilities	1,800	1,328
Funds held in escrow	189	234
	-----	-----
TOTAL LIABILITIES	86,834	153,950
	-----	-----
NET ASSETS	\$ 249,076	\$ 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 September 30, 2009 and September 30, 2008, respectively	\$ 21	\$ 21
Capital in excess of par value	328,203	334,143
Notes receivable - employees	(9,019)	(9,175)
Net unrealized depreciation on investments	(43,425)	(52,937)
Net unrealized depreciation on derivative	--	(304)
Net unrealized appreciation on borrowings under line of credit	(350)	--
Accumulated Net Realized Losses	(26,354)	--
	-----	-----
TOTAL NET ASSETS	\$ 249,076	\$ 271,748
	=====	=====
NET ASSETS PER SHARE	\$ 11.81	\$ 12.89
	=====	=====

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

	Three months ended September 30	
	2009	2008
	-----	-----
INVESTMENT INCOME		
Interest income - non control/non affiliate investments	\$ 9,038	\$ 11,279
Interest income - control investments	57	19
Interest income - cash	--	50
Interest income - notes receivable from employees	116	117
Prepayment fees and other income	72	88
	-----	-----
Total investment income	9,283	11,553
	-----	-----
EXPENSES		
Interest expense	1,661	2,302
Loan servicing fee	1,061	1,576
Base management fee	631	548
Incentive fee	--	1,222
Administration fee	216	248
Professional fees	802	205
Amortization of deferred financing fees	531	704
Stockholder related costs	98	151
Directors' fees	46	57
Insurance expense	49	57
Other expenses	42	62

Expenses before credit from Adviser	5,137	7,132
Credit to base management and incentive fees from Adviser	(13)	(1,689)
Total expenses net of credit to base management and incentive fees	5,124	5,443
NET INVESTMENT INCOME	4,159	6,110
REALIZED AND UNREALIZED LOSS ON INVESTMENTS, DERIVATIVE AND BORROWINGS UNDER LINE OF CREDIT:		
Net realized loss on investments	(12,086)	(701)
Realized gain on settlement of derivative	--	1
Net unrealized appreciation (depreciation) on investments	11,671	(19,478)
Net unrealized appreciation on borrowings under line of credit	(350)	--
Net loss on investments, derivative and borrowings under line of credit	(765)	(20,178)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,394	\$ (14,068)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic and Diluted	\$ 0.16	\$ (0.67)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic and Diluted	21,087,574	21,087,574

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

	Year Ended September 30,		
	2009	2008	2007
INVESTMENT INCOME			
Interest income - non control/non affiliate investments	\$ 41,134	\$ 44,733	\$ 35,413
Interest income - control investments	933	64	--
Interest income - cash	11	335	256
Interest income - notes receivable from employees	468	471	526
Prepayment fees and other income	72	122	492
Total investment income	42,618	45,725	36,687
EXPENSES			
Interest expense	7,949	8,284	7,226

Loan servicing fee	5,620	6,117	3,624
Base management fee	2,005	2,212	2,402
Incentive fee	3,326	5,311	4,608
Administration fee	872	985	719
Professional fees	1,586	911	523
Amortization of deferred financing fees	2,778	1,534	267
Stockholder related costs	415	443	217
Directors' fees	197	220	234
Insurance expense	241	227	249
Other expenses	278	325	328
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Expenses before credit from Adviser	25,267	26,569	20,397
Credit to base management and incentive fees from Adviser	(3,680)	(7,397)	(5,971)
	-----	-----	-----
Total expenses net of credit to base management and incentive fees	21,587	19,172	14,426
	-----	-----	-----
NET INVESTMENT INCOME	21,031	26,553	22,261
	-----	-----	-----
REALIZED AND UNREALIZED LOSS ON INVESTMENTS, DERIVATIVE AND BORROWINGS UNDER LINE OF CREDIT:			
Net realized (loss) gain on investments	(26,411)	(787)	44
Realized (loss) gain on settlement of derivative	(304)	7	39
Net unrealized appreciation (depreciation) on derivative	304	(12)	(38)
Net unrealized appreciation (depreciation) on investments	9,513	(47,023)	(7,354)
Net unrealized appreciation on borrowings under line of credit	(350)	--	--
	-----	-----	-----
Net loss on investments, derivative and borrowings under line of credit	(17,248)	(47,815)	(7,309)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 3,783	\$ (21,262)	\$ 14,952
	=====	=====	=====
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:			
Basic and Diluted	\$ 0.18	\$ (1.08)	\$ 1.13
	=====	=====	=====
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:			
Basic and Diluted	21,087,574	19,699,796	13,173,822

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

	Three months ended September 30,	
	2009	2008
	-----	-----
Per Share Data: (1)		
-----		
Net asset value at beginning of period	\$ 11.86	\$ 13.97
	-----	-----
Income from investment operations (2)		
Net investment income	0.20	0.29
Net realized loss on the sale of investments	(0.57)	(0.03)
Net unrealized (depreciation) appreciation on investments	0.55	(0.93)
Net unrealized appreciation on borrowings under line of credit	(0.02)	--
	-----	-----
Total from investment operations	0.16	(0.67)
	-----	-----
Distributions to stockholders from (2) (3)	(0.21)	(0.42)
Capital share transactions:		
Issuance of common stock under shelf offering	--	0.01
	-----	-----
Total from capital share transactions	--	0.01
	-----	-----
Net asset value at end of period	\$ 11.81	\$ 12.89
	=====	=====
Per share market value at beginning of period	\$ 7.53	\$ 19.52
Per share market value at end of period	\$ 8.93	\$ 15.24
Total return (4)	(21.48)%	(13.90)%
Shares outstanding at end of period	21,087,574	21,087,574
Statement of Assets and Liabilities Data:		
-----		
Net assets at end of period	\$ 249,076	\$ 271,748
Average net assets (5)	\$ 248,606	\$ 284,304
Senior Securities Data:		
-----		
Borrowing under line of credit	\$ 83,350	\$ 151,030
Asset coverage ratio (6) (7)	399%	286%
Average coverage per unit (7)	\$ 3,988	\$ 2,860
Ratios/Supplemental Data:		
-----		
Ratio of expenses to average net assets (8)	8.27%	10.07%
Ratio of net expenses to average net assets (9)	8.24%	7.69%
Ratio of net investment income to average net assets	6.69%	8.63%
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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) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.
  - (6) 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.
  - (7) 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.
  - (8) 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.
  - (9) 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.

GLADSTONE CAPITAL CORPORATION  
FINANCIAL HIGHLIGHTS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)  
(UNAUDITED)

	Year ended September 30,		
	2009	2008	2007
Per Share Data: (1)			
-----			
Net asset value at beginning of period	\$ 12.89	\$ 14.97	\$ 14.02
Income from investment operations (2)			
Net investment income	1.00	1.35	1.69
Net realized loss on the sale of investments	(1.25)	(0.04)	--
Realized loss on settlement of derivative	(0.01)	--	--
Net unrealized appreciation on derivative	0.01	--	--
Net unrealized (depreciation) appreciation on investments	0.45	(2.39)	(0.56)
Net unrealized appreciation on			

borrowings under line of credit	(0.02)	--	--
	-----	-----	-----
Total from investment operations	0.18	(1.08)	1.13
	-----	-----	-----
Distributions to stockholders from (2) (3)			
Net investment income	(0.99)	(1.31)	(1.48)
Gains	--	(0.01)	(0.20)
Tax return on capital	(0.27)	(0.36)	--
	-----	-----	-----
Total distributions	(1.26)	(1.68)	(1.68)
	-----	-----	-----
Capital share transactions:			
Issuance of common stock under shelf offering	--	0.72	1.55
Offering costs	--	(0.04)	(0.05)
Repayment of principal on notes receivable	--	--	0.06
Stock surrendered to settle withholding tax obligation	--	--	(0.06)
	-----	-----	-----
Total from capital share transactions	--	0.68	1.50
	-----	-----	-----
Net asset value at end of period	\$ 11.81	\$ 12.89	\$ 14.97
	=====	=====	=====
Per share market value at beginning of period	\$ 15.24	\$ 19.52	\$ 22.01
Per share market value at end of period	\$ 8.93	\$ 15.24	\$ 19.52
Total return (4)	(30.94)%	(13.90)%	(4.40)%
Shares outstanding at end of period	21,087,574	21,087,574	14,762,574

Statement of Assets and Liabilities Data:

Net assets at end of period	\$ 249,076	\$ 271,748	\$ 220,959
Average net assets (5)	\$ 253,316	\$ 284,304	\$ 189,732
Senior Securities Data:			
Borrowing under line of credit	\$ 83,350	\$ 151,030	\$ 144,440
Asset coverage ratio (6) (7)	399%	286%	259%
Average coverage per unit (7)	\$ 3,988	\$ 2,860	\$ 2,594
Ratios/Supplemental Data:			
Ratio of expenses to average net assets (8)	9.97%	9.34%	10.75%
Ratio of net expenses to average net assets (9)	8.52%	6.74%	7.60%
Ratio of net investment income to average net assets	8.30%	9.34%	11.73%

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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) Average net assets are computed using the average of the balance of net assets at the end of each month of the reporting period.
  - (6) 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.
  - (7) 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.
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