

GLADSTONE CAPITAL CORP
 Form 497
 May 03, 2018
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Filed Pursuant to Rule 497
 Securities Act File No. 333-208637

Supplement No. 1, dated May 3, 2018

to

Prospectus Supplement, dated February 8, 2018

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of Gladstone Capital Corporation (the Company), dated February 1, 2018 as supplemented by the Prospectus Supplement dated February 8, 2018. Capitalized terms used but not defined herein shall have the same meaning given them in the Prospectus Supplement or Prospectus, as applicable.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV per share. If our shares trade at a discount to our NAV per share, it will likely increase the risk of loss for purchasers in this offering. Investing in shares of our common stock involves a high degree of risk. Before investing, you should read the material risks described in the Risk Factors section beginning on page S-11 of the Prospectus Supplement and beginning on page 12 of the Prospectus before you decide to invest.

STATUS OF THE OFFERING

We are party to an equity distribution agreement, as last amended on May 22, 2017 (the Sales Agreement), with Cantor Fitzgerald & Co. (Cantor Fitzgerald). The Sales Agreement provides that we may offer and sell shares of our common stock having an aggregate offering price of up to \$50,000,000 from time to time through the Sales Agreement.

The gross proceeds raised, the related sales agent commissions, the offering expenses and the average price at which these shares were issued under the Sales Agreement from the period from February 8, 2018 through May 2, 2018 are as follows:

Fiscal Year 2018 Issuance of Common Stock	Number of Shares	Gross Proceeds	Sales Commission	Offering Expense	Average Offering Price
First Quarter ended December 31, 2017	471,498	\$ 4,566,831	\$ 68,502	\$ 14,538	\$ 9.69
Second Quarter ended March 31, 2018	265,579	2,360,901	35,414	7,516	8.89
Third Quarter (through May 2, 2018)					
Total	737,077	\$ 6,927,732	\$ 103,916	\$ 22,054	\$ 9.40

The aforementioned shares sold under the Sales Agreement were all sold at a premium to the then estimated NAV per share.

FILING OF OUR FORM 10-Q

On May 2, 2018, we filed our Quarterly Report on Form 10-Q (Form 10-Q) for the quarter ended March 31, 2018 with the Securities and Exchange Commission. We have attached the Form 10-Q to this supplement as Annex A.

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Annex A

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 814-00237

GLADSTONE CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

54-2040781
(I.R.S. Employer
Identification No.)

Fat-the

1521 WESTBRANCH DRIVE, SUITE 100

MCLEAN, VIRGINIA
(Address of principal executive office)

22102
(Zip Code)

(703) 287-5800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the issuer's common stock, \$0.001 par value per share, outstanding as of May 1, 2018 was 26,897,761.

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GLADSTONE CAPITAL CORPORATION

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

	March 31, 2018	September 30, 2017
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of \$360,816 and \$318,952, respectively)	\$ 336,235	\$ 290,860
Affiliate investments (Cost of \$54,125 and \$49,868, respectively)	49,570	42,648
Control investments (Cost of \$41,865 and \$42,615 respectively)	16,333	18,865
Cash and cash equivalents	1,819	5,012
Restricted cash and cash equivalents	186	258
Interest receivable, net	2,207	1,699
Due from custodian	3,300	3,086
Deferred financing fees	1,699	853
Other assets, net	656	2,579
TOTAL ASSETS	\$ 412,005	\$ 365,860
LIABILITIES		
Borrowings, at fair value (Cost of \$127,800 and \$93,000, respectively)	\$ 127,800	\$ 93,115
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; 5,440,000 and 5,440,000 shares authorized, respectively, and 2,070,000 and 2,070,000 shares issued and outstanding, respectively	49,938	49,849
Accounts payable and accrued expenses	307	522
Interest payable	386	264
Fees due to Adviser ^(A)	1,007	1,292
Fee due to Administrator ^(A)	312	244
Other liabilities	530	924
TOTAL LIABILITIES	\$ 180,280	\$ 146,210
Commitments and contingencies ^(B)		
NET ASSETS		
Common stock, \$0.001 par value, 44,560,000 and 44,560,000 shares authorized, respectively, and 26,897,761 and 26,160,684 shares issued and outstanding, respectively	\$ 27	\$ 26
Capital in excess of par value	354,779	348,248
Cumulative net unrealized depreciation of investments	(54,668)	(59,062)

Cumulative net unrealized depreciation of other		(115)
Over distributed net investment income	(155)	(139)
Accumulated net realized losses	(68,258)	(69,308)
TOTAL NET ASSETS	\$ 231,725	\$ 219,650
NET ASSET VALUE PER COMMON SHARE	\$ 8.62	\$ 8.40

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 8,283	\$ 5,957	\$ 15,967	\$ 11,766
Affiliate investments	1,177	972	2,288	2,135
Control investments	376	433	1,063	878
Cash and cash equivalents	7	5	19	7
Total interest income (excluding PIK interest income)	9,843	7,367	19,337	14,786
PIK interest income				
Non-Control/Non-Affiliate investments	1,088	1,064	2,194	2,061
Affiliate investments	69	157	139	374
Total PIK interest income	1,157	1,221	2,333	2,435
Total interest income	11,000	8,588	21,670	17,221
Success fee income				
Non-Control/Non-Affiliate investments				391
Affiliate investments				1,142
Total success fee income				1,533
Other income	86	205	275	13
Total investment income	11,086	8,793	21,945	18,767
EXPENSES				
Base management fee ^(A)	1,784	1,359	3,460	2,737
Loan servicing fee ^(A)	1,274	955	2,460	1,938
Incentive fee ^(A)	1,210	1,070	2,583	2,363
Administration fee ^(A)	312	286	584	586
Interest expense on borrowings	1,569	587	2,800	1,143
Dividend expense on mandatorily redeemable preferred stock	776	1,029	1,552	2,058
Amortization of deferred financing fees	292	274	540	547
Professional fees	290	206	545	442
Other general and administrative expenses	270	143	562	544

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Expenses, before credits from Adviser	7,777	5,909	15,086	12,358
Credit to base management fee - loan servicing fee ^(A)	(1,274)	(955)	(2,460)	(1,938)
Credits to fees from Adviser - other ^(A)	(1,030)	(1,520)	(1,871)	(2,219)
Total expenses, net of credits	5,473	3,434	10,755	8,201
NET INVESTMENT INCOME	5,613	5,359	11,190	10,566
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	224	44	826	3,926
Affiliate investments	104		104	(2,330)
Control investments	(4)	1	(32)	(4,999)
Other			(133)	
Total net realized gain (loss)	324	45	765	(3,403)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	2,603	(736)	3,511	(6,603)
Affiliate investments	1,625	(532)	2,665	174
Control investments	(1,194)	621	(1,782)	4,727
Other	333	(101)	115	111
Total net unrealized appreciation (depreciation)	3,367	(748)	4,509	(1,591)
Net realized and unrealized gain (loss)	3,691	(703)	5,274	(4,994)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 9,304	\$ 4,656	\$ 16,464	\$ 5,572

^(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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

BASIC AND DILUTED PER COMMON SHARE:

Net investment income	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42
Net increase in net assets resulting from operations	\$ 0.35	\$ 0.18	\$ 0.62	\$ 0.22
Distributions declared and paid	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42

WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:

Basic and Diluted	26,709,476	25,517,866	26,615,106	25,144,358
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
OPERATIONS		
Net investment income	\$ 11,190	\$ 10,566
Net realized gain (loss) on investments	898	(3,403)
Realized loss on other	(133)	
Net unrealized appreciation (depreciation) of investments	4,394	(1,702)
Net unrealized appreciation of other	115	111
Net increase in net assets resulting from operations	16,464	5,572
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	(11,190)	(10,566)
Total distributions to common stockholders	(11,190)	(10,566)
CAPITAL TRANSACTIONS		
Issuance of common stock	6,928	17,344
Discounts, commissions and offering costs for issuance of common stock	(127)	(887)
Net increase in net assets resulting from capital transactions	6,801	16,457
NET INCREASE IN NET ASSETS	12,075	11,463
NET ASSETS, BEGINNING OF PERIOD	219,650	201,207
NET ASSETS, END OF PERIOD	\$ 231,725	\$ 212,670

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 16,464	\$ 5,572
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	(76,377)	(59,658)
Principal repayments on investments	32,740	56,755
Net proceeds from sale of investments	1,301	8,311
Increase in investments due to paid-in-kind interest or other	(2,338)	(2,289)
Net change in premiums, discounts and amortization	(97)	373
Net realized (gain) loss on investments	(831)	3,403
Net unrealized (appreciation) depreciation of investments	(4,394)	1,702
Net unrealized appreciation of other	(115)	(111)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	72	96
Amortization of deferred financing fees	540	547
(Increase) decrease in interest receivable, net	(508)	267
(Increase) decrease in due from custodian	(214)	16
Decrease (increase) in other assets, net	1,932	(3,509)
Decrease in accounts payable and accrued expenses	(215)	(564)
Increase (decrease) in interest payable	122	(27)
Decrease in fees due to Adviser ^(A)	(285)	(1,013)
Increase in fee due to Administrator ^(A)	68	4
(Decrease) increase in other liabilities	(163)	371
Net cash (used in) provided by operating activities	(32,298)	10,246
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	87,400	70,300
Repayments on borrowings	(52,600)	(87,500)
Deferred financing fees	(1,329)	(75)
Proceeds from issuance of common stock	6,928	17,344
Discounts, commissions and offering costs for issuance of common stock	(104)	(887)
Distributions paid to common stockholders	(11,190)	(10,566)
Net cash provided by (used in) financing activities	29,105	(11,384)

NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,193)	(1,138)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,012	6,152
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,819	\$ 5,014

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(W)(Y)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(M)	145.1%		
Secured First Lien Debt	73.6%		
Automobile	1.5%		
Meridian Rack & Pinion, Inc. ^(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2019) ^(C)	\$ 4,140	\$ 4,140	\$ 3,436
Beverage, Food, and Tobacco	2.8%		
Triple H Food Processors, LLC Line of Credit, \$1,500 available (L + 6.8%, 8.6% Cash, Due 8/2018) ^(C)			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 10.1% Cash, Due 8/2020) ^(C)	6,400	6,400	6,480
		6,400	6,480
Buildings and Real Estate	0.9%		
GFRC Holdings, LLC Line of Credit, \$50 available (L + 8.0%, 9.9% Cash, Due 9/2018) ^(E)	1,150	1,150	1,150
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 9/2018) ^(F)	1,000	1,000	1,000
		2,150	2,150
Diversified/Conglomerate Service	19.3%		
IA Tech, LLC Term Debt (L + 11.0%, 12.9% Cash, Due 6/2021) ^(G)	23,000	23,000	23,805
Travel Sentry, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 12/2021) ^(U)	8,902	8,902	9,247
Vision Government Solutions, Inc. Line of Credit, \$0 available (L + 8.8%, 10.6% Cash, Due 1/2019) ^(C)	1,450	1,450	1,424
Vision Government Solutions, Inc. Delayed Draw Term Loan, \$900 available (10.0% Cash, Due 1/2019) ^{(C)(F)}	1,600	1,600	1,519
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.6% Cash, Due 1/2019) ^(C)	9,000	9,000	8,601
		43,952	44,596
Healthcare, education, and childcare	7.8%		
EL Academies, Inc. Line of Credit, \$2,000 available (L + 9.5%, 11.4% Cash, Due 8/2020) ^(C)			

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EL Academies, Inc. Delayed Draw Term Loan, \$8,560 available (L + 9.5%, 11.4% Cash, Due 8/2022) ^(C)	1,440	1,440	1,447
EL Academies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2022) ^(F)	12,000	12,000	12,060
TWS Acquisition Corporation Term Debt (L + 8.0%, 9.9% Cash, Due 7/2020) ^(C)	4,500	4,500	4,635
		17,940	18,142
Machinery 2.9%			
Arc Drilling Holdings LLC Line of Credit, \$1,000 available (L + 8.0%, 9.9% Cash, Due 11/2020) ^(C)			
Arc Drilling Holdings LLC Term Debt (L + 9.5%, 11.4% Cash, 1.0% PIK, Due 11/2022) ^(C)	5,880	5,880	5,865
Precision International, LLC Term Debt (10.0%, Due 9/2021) ^(F)	836	836	832
		6,716	6,697
Oil and Gas 17.3%			
Impact! Chemical Technologies, Inc. Line of Credit, \$0 available (L + 8.8%, 10.6% Cash, Due 12/2020) ^(C)	2,500	2,500	2,497
Impact! Chemical Technologies, Inc. Term Debt (L + 8.8%, 10.8% Cash, Due 12/2020) ^(C)	20,000	20,000	19,975
WadeCo Specialties, Inc. Line of Credit, \$2,425 available (L + 7.0%, 8.9% Cash, Due 4/2018) ^(C)	575	575	582
WadeCo Specialties, Inc. Term Debt (L + 7.0% 8.9% Cash, Due 3/2019) ^(F)	9,941	9,941	10,078
WadeCo Specialties, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019) ^(C)	7,000	7,000	7,061
		40,016	40,193
Printing and Publishing 0.0%			
Chinese Yellow Pages Company Line of Credit, \$0 available (PRIME + 4.0%, 8.8% Cash, Due 2/2015) ^{(E)(V)}	107	107	
Telecommunications 21.1%			
Applied Voice & Speech Technologies, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022) ^(C)	10,725	10,725	10,712
B+T Group Acquisition, Inc. ^(S) Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019) ^(C)	6,000	6,000	5,970
NetFortris Corp. Term Debt (L + 9.5%, 11.4% Cash, Due 2/2021) ^(F)	23,819	23,819	24,384
XMedius Solutions Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022) ^(I)	7,898	7,898	7,898
		48,442	48,964
Total Secured First Lien Debt		\$ 169,863	\$ 170,658

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(W)(Y)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
Secured Second Lien Debt 65.0%			
Automobile 2.2%			
Sea Link International IRB, Inc. Term Debt (11.3% Cash, Due 3/2023) ^{(C)(F)}	\$ 5,000	\$ 4,977	\$ 5,044
Beverage, Food, and Tobacco 2.9%			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 12.4% Cash, Due 1/2021) ^(C)	6,750	6,750	6,784
Cargo Transportation 5.7%			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020) ^(C)	13,000	13,000	13,130
Chemicals, Plastics, and Rubber 0.5%			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.9% Cash, Due 10/2021) ^(C)	1,099	1,099	1,093
Diversified/Conglomerate Manufacturing 8.4%			
Alloy Die Casting Co. ^(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021) ^{(C)(H)}	5,235	5,235	3,926
Alloy Die Casting Co. ^(S) Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021) ^{(C)(H)}	75	75	56
Alloy Die Casting Co. ^(S) Term Debt (Due 4/2021) ^(P)	390	390	294
United Flexible, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 2/2022) ^(F)	15,300	15,223	15,300
		20,923	19,576
Diversified/Conglomerate Service 20.9%			
DigiCert Holdings, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 10/2025) ^{(D)(U)}	3,000	2,976	3,038
Gray Matter Systems, LLC Delayed Draw Term Loan, \$2,000 available (12.0% Cash, Due 11/2023) ^{(C)(F)}			
Gray Matter Systems, LLC Term Debt (12.0% Cash, Due 11/2023) ^(F)	11,100	11,100	11,072
Keystone Acquisition Corp. Term Debt (L + 9.3%, 11.6% Cash, Due 5/2025) ^{(D)(U)}	4,000	3,925	4,020
LDiscovery, LLC Term Debt (L + 10.0%, 11.9% Cash, Due 12/2023) ^(P)	5,000	4,825	4,100
Red Ventures, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 11/2025) ^(P)	3,625	3,566	3,688

TapRoot Partners, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 10/2022) ^(C)	22,000	22,000	22,440
		48,392	48,358
Healthcare, education, and childcare 8.2%			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 10.1% Cash, Due 6/2025) ^(D)	3,000	2,958	2,993
Merlin International, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 8/2022) ^(C)	10,000	10,000	10,313
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 10/2023) ^(D)	3,660	3,612	3,660
New Trident Holdcorp, Inc. Term Debt (L + 10.0%, 12.3% PIK, Due 7/2020) ^{(E)(U)}	4,231	4,231	2,077
		20,801	19,043
Home and Office Furnishings, Housewares and Durable Consumer Products 4.4%			
Belnick, Inc. Term Debt (11.0% Cash, Due 8/2023) ^(F)	10,000	10,000	10,188
Hotels, Motels, Inns, and Gaming 2.9%			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.9% Cash, 3.0% PIK, Due 6/2023) ^(C)	7,254	7,254	6,655
Oil and Gas 7.2%			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 12.2% PIK, Due 4/2020) ^(C)	17,763	17,657	11,547
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3%, 11.1% PIK, Due 4/2020) ^(C)	8,161	8,111	5,305
		25,768	16,852
Personal and Non-Durable Consumer Products (Manufacturing Only) 1.7%			
Canopy Safety Brands, LLC Term Debt (L + 10.5%, 12.4% Cash, Due 7/2022) ^(C)	4,000	4,000	4,010
Total Secured Second Lien Debt		\$ 162,964	\$ 150,733
Unsecured Debt 1.5%			
Healthcare, education, and childcare 1.5%			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020) ^{(C)(F)}	\$ 3,438	\$ 3,438	\$ 3,459
Preferred Equity 1.7%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. ^(S) Preferred Stock ^{(E)(G)}	1,449	\$ 1,449	\$ 344
Buildings and Real Estate 0.1%			
GFRC Holdings, LLC Preferred Stock ^{(E)(G)}	1,000	1,025	320

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(W)(Y)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
Diversified/Conglomerate Manufacturing 0.3%			
Alloy Die Casting Co. ^(S) Preferred Stock ^{(E)(G)}	2,192	2,192	
United Flexible, Inc. Preferred Stock ^{(E)(G)}	538	538	674
		2,730	674
Diversified/Conglomerate Service 0.0%			
Frontier Financial Group Inc. Preferred Stock ^{(E)(G)}	766	500	96
Frontier Financial Group Inc. Preferred Stock Warrant ^{(E)(G)}	168		
		500	96
Oil and Gas 1.0%			
Francis Drilling Fluids, Ltd. Preferred Equity Unit ^{(E)(G)}	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock ^{(E)(G)}	1,000	618	2,231
		1,833	2,231
Telecommunications 0.2%			
B+T Group Acquisition, Inc. ^(S) Preferred Stock ^{(E)(G)}	5,503	1,799	
NetFortris Corp. Preferred Stock ^{(E)(G)}	1,250,000	125	375
		1,924	375
Total Preferred Equity		\$ 9,461	\$ 4,040
Common Equity 3.2%			
Aerospace and Defense 0.3%			
FedCap Partners, LLC Class A Membership Units (\$0 Uncalled Commitment) ^{(G)(K)(R)}	80	\$ 1,634	\$ 751
Automobile 0.2%			
Sea Link International IRB, Inc. Common Equity Unit ^{(E)(G)}	494,902	495	485
Beverage, Food, and Tobacco 0.2%			
The Mochi Ice Cream Company Common Stock ^{(E)(G)}	450	450	
Triple H Food Processors, LLC Common Stock ^{(E)(G)}	250,000	250	472

			700	472
Buildings and Real Estate 0.0%				
GFRC Holdings, LLC	Common Stock Warrant ^{(E)(G)}	45.0%		
Cargo Transportation 0.3%				
AG Transportation Holdings, LLC	Member Profit Participation ^{(E)(G)}	18.0%	1,000	478
AG Transportation Holdings, LLC	Profit Participation Warrant ^{(E)(G)}	12.0%	244	140
			1,244	618
Chemicals, Plastics, and Rubber 0.2%				
Vertellus Holdings LLC	Common Stock Unit ^{(E)(G)}	879,121	3,017	569
Diversified/Conglomerate Manufacturing 0.1%				
Alloy Die Casting Co. ^(S)	Common Stock ^{(E)(G)}	270	18	
United Flexible, Inc.	Common Stock ^{(E)(G)}	1,158	148	262
			166	262
Healthcare, education, and childcare 1.1%				
Edmentum Ultimate Holdings, LLC	Common Stock ^{(E)(G)}	21,429	2,636	
EL Academies, Inc.	Common Stock ^{(E)(G)}	500	520	428
Leeds Novamark Capital I, L.P.	Limited Partnership Interest (\$986 uncalled capital commitment) ^{(G)(L)(R)}	3.5%	2,010	2,193
			5,166	2,621
Machinery 0.5%				
Arc Drilling Holdings LLC	Common Stock ^{(E)(G)}	16.7%	1,500	839
Precision International, LLC	Membership Unit Warrant ^{(E)(G)}	33.3%		119
			1,500	958
Oil and Gas 0.1%				
Francis Drilling Fluids, Ltd.	Common Equity Unit ^{(E)(G)}	1,656	1	
W3, Co.	Common Equity ^{(P)(G)}	435	499	131
			500	131
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.2%				
Canopy Safety Brands, LLC	Participation Warrant ^{(E)(G)}	1	500	284
Funko Acquisition Holdings, LLC ^(S)	Common Unit ^{(G)(T)}	67,873	167	194
			667	478
Telecommunications 0.0%				
NetFortris Corp.	Common Stock Warrant ^{(E)(G)}	1	1	
Total Common Equity			\$ 15,090	\$ 7,345
Total Non-Control/Non-Affiliate Investments			\$ 360,816	\$ 336,235

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(W)(Y)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
AFFILIATE INVESTMENTS^(N) 21.4%			
Secured First Lien Debt 8.4%			
Diversified/Conglomerate Manufacturing 8.4%			
Edge Adhesives Holdings, Inc. ^(S) Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019) ^(C)	\$ 6,200	\$ 6,200	\$ 5,828
Edge Adhesives Holdings, Inc. ^(S) Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019) ^(C)	1,600	1,600	1,512
LWO Acquisitions Company LLC Line of Credit, \$0 available (L + 5.5%. 7.4% Cash, 2.0% PIK, Due 12/2019) ^(C)	2,776	2,776	2,665
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 10.4% Cash, 2.0% PIK, Due 12/2019) ^(C)	11,053	11,053	9,480
		21,629	19,485
Total Secured First Lien Debt		\$ 21,629	\$ 19,485
Secured Second Lien Debt 9.2%			
Diversified Natural Resources, Precious Metals and Minerals 9.2%			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) ^(F)	\$ 6,000	\$ 6,000	\$ 5,985
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) ^(F)	8,000	8,000	7,980
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) ^(F)	3,300	3,300	3,292
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) ^(F)	4,000	4,000	3,990
		21,300	21,247
Total Secured Second Lien Debt		\$ 21,300	\$ 21,247
Unsecured Debt 0.0%			
Diversified/Conglomerate Manufacturing 0.0%			
LWO Acquisitions Company LLC Term Debt (Due 6/2020) ^{(C)(P)}	\$ 95	\$ 95	\$ 81
Preferred Equity 0.9%			
Diversified/Conglomerate Manufacturing 0.5%			
Edge Adhesives Holdings, Inc. ^(S) Preferred Stock ^{(E)(G)}	2,516	\$ 2,516	\$ 1,283

Diversified Natural Resources, Precious Metals and Minerals 0.4%			
Lignetics, Inc. Preferred Stock ^{(E)(G)}	40,000	800	852
Total Preferred Equity		\$ 3,316	\$ 2,135
Common Equity 2.9%			
Diversified/Conglomerate Manufacturing 0.0%			
LWO Acquisitions Company LLC Common Unit ^{(E)(G)}	921,000	\$ 921	\$
Diversified Natural Resources, Precious Metals and Minerals 0.5%			
Lignetics, Inc. Common Stock ^{(E)(G)}	152,603	1,855	1,059
Textiles and Leather 2.4%			
Targus Cayman HoldCo, Ltd. Common Stock ^{(E)(G)}	3,076,414	5,009	5,563
Total Common Equity		\$ 7,785	\$ 6,622
Total Affiliate Investments		\$ 54,125	\$ 49,570
CONTROL INVESTMENTS^(O) 7.0%			
Secured First Lien Debt 2.4%			
Machinery 1.4%			
PIC 360, LLC Term Debt (14.0%, Due 9/2019) ^(F)	\$ 3,250	\$ 3,250	\$ 3,250
Printing and Publishing 1.0%			
Sunshine Media Holdings Line of Credit, \$672 available (8.0% Cash, Due 5/2018) ^{(E)(F)}	1,328	1,328	1,328
Sunshine Media Holdings Term Debt (8.0% Cash, Due 5/2018) ^{(F)(H)}	5,000	3,525	316
Sunshine Media Holdings Term Debt (L + 3.8%, 5.6% Cash, Due 5/2018) ^{(E)(H)}	11,948	8,401	756
Sunshine Media Holdings Term Debt (L + 4.0%, 5.9% Cash, Due 5/2018) ^{(E)(H)}	10,700	10,700	
		23,954	2,400
Total Secured First Lien Debt		\$ 27,204	\$ 5,650
Secured Second Lien Debt 3.5%			
Automobile 3.5%			
Defiance Integrated Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2023) ^(E)	\$ 8,065	\$ 8,065	\$ 8,065

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(W)(Y)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
Preferred Equity 0.0%			
Printing and Publishing 0.0%			
Sunshine Media Holdings Preferred Stock ^{(E)(G)}	15,270	\$ 5,275	\$
Common Equity 1.1%			
Automobile 0.8%			
Defiance Integrated Technologies, Inc. Common Stock ^{(E)(G)}	33,321	\$ 580	\$ 1,739
Machinery 0.3%			
PIC 360, LLC Common Equity Unit ^{(E)(G)}	75	1	879
Printing and Publishing 0.0%			
Sunshine Media Holdings Common Stock ^{(E)(G)}	1,867	740	
Sunshine Media Holdings Common Stock Warrant ^{(E)(G)}	72		
		740	
Total Common Equity		\$ 1,321	\$ 2,618
Total Control Investments		\$ 41,865	\$ 16,333
TOTAL INVESTMENTS 173.5%		\$ 456,806	\$ 402,138

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$354.9 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2018, our investments in FedCap Partners, LLC (FedCap), Leeds Novamark Capital I, L.P. (Leeds), Funko Acquisition Holdings, LLC (Funko), and XMedius Solutions Inc. (XMedius) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 2.7% of total investments, at fair value, as of March 31, 2018.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.88% as of March 31, 2018. If applicable, paid-in-kind (PIK) interest rates are noted separately

from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

- (C) Fair value was based on an internal yield analysis or on estimates of value submitted by ICE Data Pricing and Reference Data, LLC (ICE) (formerly Standard and Poor's Securities Evaluations, Inc.).
- (D) Fair value was based on the indicative bid price on or near March 31, 2018, offered by the respective syndication agent's trading desk.
- (E) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company's securities in order of their relative priority in the capital structure.
- (F) Debt security has a fixed interest rate.
- (G) Security is non-income producing.
- (H) Debt security is on non-accrual status.
- (I) New investment valued at cost, as it was determined that the price paid during the quarter ended March 31, 2018 best represents fair value as of March 31, 2018.
- (J) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (K) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.
- (L) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May 9, 2024 or two years after all outstanding leverage has matured.
- (M) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (N) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (O) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (P) Debt security does not have a stated interest rate that is payable thereon.
- (Q) Reserved.
- (R) Fair value was based on net asset value provided by the fund as a practical expedient.
- (S) One of our affiliated funds, Gladstone Investment Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (T) Our investment in Funko was valued using Level 2 inputs within the FASB Accounting Standard Codification (ASC) Topic 820, Fair Value Measurements and Disclosures (ASC 820) fair value hierarchy. Our common units in Funko are convertible to class A common stock in Funko, Inc. upon the expiration of a lock-up agreement and meeting other requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Stock Market under the trading symbol FNKO. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 2.31% as of March 31, 2018.
- (V) The cash interest rate on this investment was indexed to the U.S. Prime Rate (PRIME), which was 4.75% as of March 31, 2018.
- (W) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (X) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
- (Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2018.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment^{(A)(B)(W)(Z)}	Principal/ Shares/ Units^{(J)(X)}	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(M) 132.4%			
Secured First Lien Debt 67.2%			
Automobile 1.7%			
Meridian Rack & Pinion, Inc. ^(S) Term Debt (L + 11.5% 13.5% Cash, Due 12/2018) ^(C)	\$ 4,140	\$ 4,140	\$ 3,643
Beverage, Food, and Tobacco 3.2%			
Triple H Food Processors, LLC Line of Credit, \$1,500 available (L + 6.8%, 8.0% Cash, Due 8/2018) ^(C)			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 9.5% Cash, Due 8/2020) ^(C)	6,800	6,800	6,928
		6,800	6,928
Buildings and Real Estate 1.0%			
GFRC Holdings, LLC Line of Credit, \$20 available (L + 8.0%, 9.2% Cash, Due 9/2018) ^(E)	1,180	1,180	1,180
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.2% Cash, Due 9/2018) ^(F)	1,000	1,000	1,000
		2,180	2,180
Diversified/Conglomerate Service 20.1%			
IA Tech, LLC Term Debt (L + 11.0%, 12.2% Cash, Due 6/2021) ^(J)	23,000	23,000	23,633
Travel Sentry, Inc. Term Debt (L + 9.0%, 10.3% Cash, Due 12/2021) ^{(C)(U)}	8,902	8,902	9,170
Vision Government Solutions, Inc. Line of Credit, \$0 available (L + 8.8%, 10.0% Cash, Due 1/2019) ^(C)	1,450	1,450	1,420
Vision Government Solutions, Inc. Delayed Draw Term Loan, \$900 available (10.0% Cash, Due 1/2019) ^{(C)(F)}	1,600	1,600	1,485
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.0% Cash, Due 1/2019) ^(C)	9,000	9,000	8,390
		43,952	44,098
Diversified/Conglomerate Manufacturing 1.6%			
Alloy Die Casting Co. ^(S) Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018) ^{(C)(H)}	5,235	5,235	3,272
Alloy Die Casting Co. ^(S) Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018) ^{(C)(H)}	75	75	47
Alloy Die Casting Co. ^(S) Term Debt (Due 10/2018) ^(P)	390	390	246

		5,700	3,565
Healthcare, education, and childcare 9.8%			
EL Academies, Inc.	Line of Credit (L + 9.5%, 10.7% Cash, Due 8/2020 ^H)		
EL Academies, Inc.	Delayed Draw Term Loan (L + 9.5%, 10.7% Cash, Due 8/2022) ^(I)		
EL Academies, Inc.	Term Debt (L + 9.5%, 10.7% Cash, Due 8/2022 ^H)	12,000	12,000
TWS Acquisition Corporation	Term Debt (L + 8.0%, 9.2% Cash, Due 7/2020) ^(C)	9,432	9,609
		21,432	21,609
Leisure, Amusement, Motion Pictures, Entertainment 3.6%			
Flight Fit N Fun LLC	Term Debt (L + 14.0%, 15.2% Cash, Due 9/2020 ^(Q) ^(Y))	7,800	7,800
Machinery 0.4%			
Precision International, LLC	Term Debt (10.0% PIK, Due 9/2021 ^(G) ^(F))	808	798
Oil and Gas 9.2%			
WadeCo Specialties, Inc.	Line of Credit, \$425 available (L + 7.0%, 8.2% Cash, Due 4/2018) ^(E)	2,575	2,575
WadeCo Specialties, Inc.	Term Debt (L + 7.0%, 8.2% Cash, Due 3/2019 ^(F))	10,441	10,440
WadeCo Specialties, Inc.	Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019 ^(F))	7,000	7,000
		20,002	20,015
Personal and Non-Durable Consumer Products (Manufacturing Only) 3.0%			
Canopy Safety Brands, LLC	Line of Credit, \$500 available (L + 6.5%, 7.7% Cash, Due 9/2019) ^(C)		
Canopy Safety Brands, LLC	Term Debt (L + 9.5%, 10.7% Cash, Due 9/2021) ^(C)	6,600	6,616
		6,600	6,616
Printing and Publishing 0.0%			
Chinese Yellow Pages Company	Line of Credit, \$0 available (PRIME + 4.0%, 8.0% Cash, Due 2/2015) ^(E) ^(V)	107	107
Telecommunications 13.6%			
B+T Group Acquisition, Inc. ^(S)	Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019) ^(C)	6,000	5,955
NetFortris Corp.	Line of Credit, \$2,000 available (L + 8.4%, 9.6% Cash, Due 11/2017) ^(C)		
NetFortris Corp.	Term Debt (L + 8.4%, 9.6% Cash, Due 2/2021 ^(G))	24,000	24,240
		30,000	30,195
Total Secured First Lien Debt		\$ 149,521	\$ 147,447

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment^{(A)(B)(W)(Z)}	Principal/ Shares/ Units^{(J)(X)}	Cost	Fair Value
Secured Second Lien Debt 59.1%			
Automobile 2.2%			
Sea Link International IRB, Inc. Term Debt (11.3%, Due 11/2021 ^(F))	\$ 5,000	\$ 4,975	\$ 5,025
Beverage, Food, and Tobacco 3.1%			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 11.7% Cash, Due 1/2021) ^(C)	6,750	6,750	6,809
Cargo Transportation 6.0%			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020) ^(C)	13,000	13,000	13,081
Chemicals, Plastics, and Rubber 0.4%			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.2% Cash, Due 10/2021) ^(D)	1,099	1,099	929
Diversified/Conglomerate Service 16.4%			
DataPipe, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 9/2019 ^(P)) ^(Y)	2,000	1,966	2,005
HB Capital Resources, Ltd. Term Debt (L + 10.3%, 11.5% Cash, Due 10/2022) ^(C)	22,000	22,000	22,110
Keystone Acquisition Corp. Term Debt (L + 9.3%, 10.5% Cash, Due 5/2025) ^(D)	4,000	3,922	3,960
LDiscovery, LLC Term Debt (L + 10.0%, 11.2% Cash, Due 12/2023 ^(P))	5,000	4,815	4,550
PSC Industrial Holdings Corp. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2021) ^{(Q)(Y)}	3,500	3,452	3,500
		36,155	36,125
Diversified/Conglomerate Manufacturing 8.2%			
United Flexible, Inc. Term Debt (L + 9.5%, 10.7% Cash, 2.0% PIK, Due 2/2022) ^(C)	17,993	17,909	17,903
Healthcare, education, and childcare 8.8%			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2023) ^(D)	3,000	2,956	2,970
Merlin International, Inc. Term Debt (L + 10.0%, 11.2% Cash, Due 8/2022) ^(C)	10,000	10,000	10,150
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 10/2023) ^(D)	3,660	3,609	3,678
New Trident Holdcorp, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 7/2020) ^(D)	4,000	4,000	2,412

		20,565	19,210
Home and Office Furnishings, Housewares and Durable Consumer Products 4.6%			
Belnick, Inc. Term Debt (11.0%, Due 8/2023) ^(F)	10,000	10,000	10,100
Hotels, Motels, Inns, and Gaming 3.2%			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.2% Cash, 3.0% PIK, Due 6/2023) ^(C)	7,145	7,145	7,136
Oil and Gas 5.7%			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 11.9% PIK, Due 4/2020) ^(C)	16,739	16,611	8,626
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3% 10.8% PIK, Due 4/2020) ^(C)	7,733	7,673	3,931
		24,284	12,557
Telecommunications 0.5%			
Neustar, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 8/2025) ^(P)	1,000	1,000	1,015
Total Secured Second Lien Debt		\$ 142,882	\$ 129,890
Unsecured Debt 1.5%			
Healthcare, education, and childcare 1.5%			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020) ^{(C)(F)}	\$ 3,324	\$ 3,324	\$ 3,324
Preferred Equity 2.6%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. ^(S) Preferred Stock ^{(E)(G)}	1,449	\$ 1,449	\$ 133
Buildings and Real Estate 0.3%			
GFRC Holdings, LLC Preferred Stock ^{(E)(G)}	1,000	1,025	824
Diversified/Conglomerate Service 0.2%			
Frontier Financial Group Inc. Preferred Stock ^{(E)(G)}	766	500	500
Frontier Financial Group Inc. Preferred Stock Warrant ^{(E)(G)}	168		
		500	500
Diversified/Conglomerate Manufacturing 0.3%			
Alloy Die Casting Co. ^(S) Preferred Stock ^{(E)(G)}	2,192	2,192	
United Flexible, Inc. Preferred Stock ^{(E)(G)}	538	538	554
		2,730	554
Leisure, Amusement, Motion Pictures, Entertainment 0.6%			
Flight Fit N Fun LLC Preferred Stock ^{(G)(Q)(Y)}	700,000	700	1,425

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GLADSTONE CAPITAL CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(W)(Z)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
Oil and Gas 0.9%			
Francis Drilling Fluids, Ltd. Preferred Equity Unit ^{(E)(G)}	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock ^{(E)(G)}	1,000	618	2,000
		1,833	2,000
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Funko Acquisition Holdings, LLC ^(S) Preferred Equity Unit ^{(E)(G)}	260	167	159
Telecommunications 0.1%			
B+T Group Acquisition, Inc. ^(S) Preferred Stock ^{(E)(G)(J)}	5,503	1,799	140
Total Preferred Equity		\$ 10,203	\$ 5,735
Common Equity 2.0%			
Aerospace and Defense 0.3%			
FedCap Partners, LLC Class A Membership Units (\$0 Uncalled Commitment) ^{(G)(K)(R)}	80	\$ 1,634	\$ 751
Automobile 0.2%			
Sea Link International IRB, Inc. Common Equity Unit ^{(E)(G)}	494,902	495	362
Beverage, Food, and Tobacco 0.2%			
The Mochi Ice Cream Company Common Stock ^{(E)(G)}	450	450	
Triple H Food Processors, LLC Common Stock ^{(E)(G)}	250,000	250	366
		700	366
Buildings and Real Estate 0.0%			
GFRC Holdings, LLC Common Stock Warrant ^{(E)(G)}	45.0%		
Cargo Transportation 0.0%			
AG Transportation Holdings, LLC Member Profit Participation ^{(E)(G)}	18.0%	1,000	
AG Transportation Holdings, LLC Profit Participation Warrant ^{(E)(G)}	12.0%	244	
		1,244	
Chemicals, Plastics, and Rubber 0.2%			
Vertellus Holdings LLC Common Stock Unit ^{(E)(G)}	879,121	3,018	442
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting Co. ^(S) Common Stock ^{(E)(G)}	270	18	

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United Flexible, Inc. Common Stock ^{(E)(G)}	1,158	148	
		166	
Healthcare, education, and childcare 0.9%			
Edmentum Ultimate Holdings, LLC Common Stock ^{(E)(G)}	21,429	2,636	
EL Academies, Inc. Common Stock ^{(G)(I)}	500	500	500
Leeds Novamark Capital I, L.P. Limited Partnership Interest (\$1,581 uncalled capital commitment) ^{(G)(L)(R)}	3.5%	1,628	1,645
		4,764	2,145
Machinery 0.0%			
Precision International, LLC Membership Unit Warrant ^{(E)(G)}	33.3%		
Oil and Gas 0.1%			
Francis Drilling Fluids, Ltd. Common Equity Unit ^{(E)(G)}	1,656	1	
W3, Co. Common Equity ^{(P)(G)}	435	499	139
		500	139
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Canopy Safety Brands, LLC Participation Warrant ^{(E)(G)}	1	500	259
Funko Acquisition Holdings, LLC ^(S) Common Stock ^{(E)(G)}	975		
		500	259
Telecommunications 0.0%			
NetFortris Corp. Common Stock Warrant ^{(E)(G)}	1	1	
Total Common Equity		\$ 13,022	\$ 4,464
Total Non-Control/Non-Affiliate Investments		\$ 318,952	\$ 290,860

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(W)(Z)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
AFFILIATE INVESTMENTS^(N) 19.4%			
Secured First Lien Debt 8.6%			
Diversified/Conglomerate Manufacturing 8.6%			
Edge Adhesives Holdings, Inc. ^(S) Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019) ^(C)	\$ 6,200	\$ 6,200	\$ 5,704
Edge Adhesives Holdings, Inc. ^(S) Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019) ^(C)	1,600	1,600	1,480
LWO Acquisitions Company LLC Line of Credit, \$0 available (L + 5.5%, 6.7% Cash, 2.0% PIK, Due 3/2018) ^(C)	2,748	2,746	2,336
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 9.7% Cash, 2.0% PIK, Due 12/2019) ^(C)	10,942	10,921	9,301
		21,467	18,821
Total Secured First Lien Debt		\$ 21,467	\$ 18,821
Secured Second Lien Debt 7.8%			
Diversified Natural Resources, Precious Metals and Minerals 7.8%			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021) ^(F)	\$ 6,000	\$ 6,000	\$ 5,998
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021) ^(F)	8,000	8,000	7,997
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 2/2021) ^(F)	3,300	3,300	3,299
		17,300	17,294
Total Secured Second Lien Debt		\$ 17,300	\$ 17,294
Preferred Equity 0.4%			
Diversified/Conglomerate Manufacturing 0.0%			
Edge Adhesives Holdings, Inc. ^(S) Preferred Stock ^{(E)(G)}	2,516	\$ 2,516	\$
Diversified Natural Resources, Precious Metals and Minerals 0.4%			
Lignetics, Inc. Preferred Stock ^{(E)(G)}	40,000	800	826
Total Preferred Equity		\$ 3,316	\$ 826
Common Equity 2.6%			

Diversified/Conglomerate Manufacturing 0.0%			
LWO Acquisitions Company LLC	Common Units ^{(E)(G)}	921,000	\$ 921 \$
Diversified Natural Resources, Precious Metals and Minerals 0.4%			
Lignetics, Inc.	Common Stock ^{(E)(G)}	152,603	1,855 828
Textiles and Leather 2.2%			
Targus Cayman HoldCo, Ltd.	Common Stock ^{(E)(G)}	3,076,414	5,009 4,879
Total Common Equity			\$ 7,785 \$ 5,707
Total Affiliate Investments			\$ 49,868 \$ 42,648
CONTROL INVESTMENTS^(O) 8.6%			
Secured First Lien Debt 3.5%			
Machinery 1.8%			
PIC 360, LLC	Term Debt (14.0%, Due 12/2017) ^(F)	\$ 4,000	\$ 4,000 \$ 4,000
Printing and Publishing 1.7%			
Sunshine Media Holdings	Line of Credit, \$672 available (8.0% Cash, Due 5/2018) ^{(E)(F)}	1,328	1,328 1,328
Sunshine Media Holdings	Term Debt (8.0% Cash, Due 5/2018) ^{(F)(H)}	5,000	3,525 679
Sunshine Media Holdings	Term Debt (L + 3.8%, 5.0% Cash, Due 5/2018) ^{(E)(H)}	11,948	8,401 1,621
Sunshine Media Holdings	Term Debt (L + 4.0%, 5.5% Cash, Due 5/2018) ^{(E)(H)}	10,700	10,700
			23,954 3,628
Total Secured First Lien Debt			\$ 27,954 \$ 7,628
Secured Second Lien Debt 3.7%			
Automobile 3.7%			
Defiance Integrated Technologies, Inc.	Term Debt (L + 9.5%, 11.0% Cash, Due 2/2019) ^(E)	\$ 8,065	\$ 8,065 \$ 8,065

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(W)(Z)}	Principal/ Shares/ Units ^{(J)(X)}	Cost	Fair Value
Preferred Equity 0.0%			
Printing and Publishing 0.0%			
Sunshine Media Holdings Preferred Stock ^{(E)(G)(J)}	15,270	\$ 5,275	\$
Common Equity 1.4%			
Automobile 1.3%			
Defiance Integrated Technologies, Inc. Common Stock ^{(E)(G)}	33,321	\$ 580	\$ 2,856
Machinery 0.1%			
PIC 360, LLC Common Equity Units ^{(E)(G)}	1	1	316
Printing and Publishing 0.0%			
Sunshine Media Holdings Common Stock ^{(E)(G)}	1,867	740	
Sunshine Media Holdings Common Stock Warrants ^{(E)(G)}	72		
		740	
Total Common Equity		\$ 1,321	\$ 3,172
Total Control Investments		\$ 42,615	\$ 18,865
TOTAL INVESTMENTS^(T) 160.4%		\$ 411,435	\$ 352,373

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$317.4 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings*. Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2017, our investments in FedCap and Leeds are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 0.7% of total investments, at fair value, as of September 30, 2017.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.23% as of September 30, 2017. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

(C) Fair value was based on an internal yield analysis or on estimates of value submitted by Standard and Poor's Securities Evaluations, Inc.

- (D) Fair value was based on the indicative bid price on or near September 30, 2017, offered by the respective syndication agent's trading desk.
- (E) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company's securities in order of their relative priority in the capital structure.
- (F) Debt security has a fixed interest rate.
- (G) Security is non-income producing.
- (H) Debt security is on non-accrual status.
- (I) New investment valued at cost, as it was determined that the price paid during the quarter ended September 30, 2017 best represents fair value as of September 30, 2017.
- (J) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (K) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.
- (L) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May 9, 2024 or two years after all outstanding leverage has matured.
- (M) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (N) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (O) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (P) Debt security does not have a stated interest rate that is payable thereon.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Fair value was based on net asset value provided by the fund as a practical expedient.
- (S) One of our affiliated funds, Gladstone Investment Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (T) Cumulative gross unrealized depreciation for federal income tax purposes is \$71.7 million; cumulative gross unrealized appreciation for federal income tax purposes is \$7.5 million. Cumulative net unrealized depreciation is \$64.3 million, based on a tax cost of \$416.6 million.
- (U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 1.33% as of September 30, 2017.
- (V) The cash interest rate on this investment was indexed to the U.S. Prime Rate (PRIME), which was 4.25% as of September 30, 2017.
- (W) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification (ASC) Topic 820, Fair Value Measurements and Disclosures (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (X) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
- (Y) Investment was exited subsequent to September 30, 2017. Refer to Note 15 *Subsequent Events* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (Z) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of September 30, 2017.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE CAPITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

Gladstone Capital Corporation was incorporated under the Maryland General Corporation Law on May 30, 2001 and completed an initial public offering on August 24, 2001. The terms the Company, we, our and us all refer to Gladstone Capital Corporation and its consolidated subsidiaries. We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act), and is applying the guidance of the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) Topic 946 *Financial Services-Investment Companies* (ASC 946). In addition, we have elected to be treated for tax purposes as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established lower middle market companies (which we generally define as companies with annual earnings before interest, taxes, depreciation and amortization of \$3 million to \$15 million) in the U.S. that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

Gladstone Business Loan, LLC (Business Loan), a wholly-owned subsidiary of ours, was established on February 3, 2003, for the sole purpose of owning a portion of our portfolio of investments in connection with our line of credit. The financial statements of Business Loan are consolidated with those of Gladstone Capital Corporation. We also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission's (SEC) Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), a Delaware corporation and an SEC registered investment adviser and an affiliate of ours, pursuant to an investment advisory and management agreement (the Advisory Agreement). Administrative services are provided by our affiliate, Gladstone Administration, LLC (the Administrator), a Delaware limited liability company, pursuant to an administration agreement (the Administration Agreement). Refer to Note 4 *Related Party Transactions* for additional information regarding these arrangements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X. Accordingly, we have not included in this quarterly report all of the information and notes

required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In accordance with Article 6 of Regulation S-X, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and six months ended March 31, 2018, are not necessarily indicative of results that ultimately may be achieved for the fiscal year or any future interim periods. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, as filed with the SEC on November 20, 2017.

Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the amounts reported in our accompanying Consolidated Financial Statements and accompanying notes. Actual results may differ from those estimates.

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Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation in the Consolidated Financial Statements and the accompanying notes. Reclassifications did not impact net increase in net assets resulting from operations, total assets, total liabilities or total net assets, or Statement of Changes in Net Assets and Statement of Cash Flows classifications.

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the FASB ASC T