

January 24, 2011

## **ISS Corporate Services, Inc. and Glass Lewis & Co. Recommend 'For' Vote on NAV Proposal for Gladstone Capital Corporation's 2011 Annual Meeting of Stockholders**

MCLEAN, Va., Jan. 24, 2011 /PRNewswire/ -- Gladstone Capital Corporation (Nasdaq: GLAD) (the "Company") announced today that the industry's two leading proxy advisory firms – ISS Corporate Services, Inc. ("ISS"), a wholly-owned subsidiary of Institutional Shareholder Services Inc., and Glass Lewis & Co. ("Glass Lewis") – each recently issued a report recommending that stockholders of the Company vote "For" for the proposal included in the proxy statement for the Company's 2011 Annual Meeting of Stockholders which would allow the Company to issue and sell shares of its common stock below its then current net asset value per shares ("NAV"), subject to certain limitations delineated in the proxy statement.

(Logo: <http://photos.prnewswire.com/prnh/20101005/GLADSTONECAPITAL> )

The following proposals are scheduled for a vote at the Annual Meeting:

- Approval of a proposal to authorize the Company to sell shares of its common stock at a price below its then current NAV per share;
- Election of incumbent directors, Michela English, Anthony Parker and George Stelljes III to hold office until the 2014 Annual Meeting of Stockholders; and
- Ratification of the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2011.

The Annual Meeting of Stockholders is scheduled for Thursday, February 17, 2011 at 11:00 a.m. local time at the Hilton McLean Tysons Corner at 7920 Jones Branch Drive, McLean, Virginia.

### NAV Proposal

Regarding the Company's proposal to authorize the sale of its common stock at a price below its then-current (NAV) per share, ISS stated in its report:

"The proposal grants significant discretion to management to offer securities at below NAV -- either publicly or privately -- with limits on the amount of shares to be offered. The sale of shares at a price below NAV will initially dilute outstanding shares. However, approval of this proposal may allow the board to invest in attractive opportunities as they arise, and may give the company flexibility to forestall the potential forced sale of assets at unfavorable prices. While shareholders may be concerned that the sale of shares at a price below NAV will initially dilute outstanding shares, certain safeguards are in place, including that shareholder approval of the proposal would only be valid for one year, and that any sale of shares at a price below NAV must be approved by a majority of the company's disinterested directors."\*

### Election of Directors

Regarding the nomination of three incumbent directors (Michela English, Anthony Parker and George Stelljes III) to hold office until the 2014 Annual Meeting of Stockholders, each of ISS and Glass Lewis recommended a vote "FOR" Ms. English and Mr. Parker, each of whom is an independent director. Regarding the election of Mr. Stelljes, an inside director (the Company's current President and Chief Investment Officer), ISS recommend a vote "FOR" while Glass Lewis recommended a vote "AGAINST," primarily citing for its recommendation the fact that the Company does not maintain a board of directors comprised of at least 75% of independent directors (currently, of the Board's ten directors, six are independent).

### Ratification of PricewaterhouseCoopers as Independent Registered Accounting Firm

Regarding the proposal to the Company's Audit Committee's selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for its fiscal year ending September 30, 2011, each of ISS and Glass Lewis recommended a "FOR" vote for such proposal.

The Company reminds stockholders that their vote is important, and urges all stockholders to take a moment to vote their shares. Stockholders with questions related to the Annual Meeting or the voting of their shares, or who need to request additional proxy materials, are strongly encouraged to contact the Company's proxy solicitor, Georgeson Inc. at (800) 932-9864, or the Company at 1-866-366-5745.

The Company also conducted an informational call with stockholders on January 12, 2011 regarding the aforementioned proposals. Stockholders who were unable to listen to the call may access the replay by calling (877) 344-7529 and using conference code 446165. The webcast replay of the conference call will be available online through the date of the Annual Meeting at [www.GladstoneCapital.com](http://www.GladstoneCapital.com).

#### Important Information

On December 10, 2010, the Company filed a definitive proxy statement with the Securities and Exchange Commission ("SEC") in connection with the Company's 2011 Annual Meeting of Stockholders. The Company's stockholders are strongly advised to read the definitive proxy statement carefully before making any voting or investment decision because the definitive proxy statement contains important information. The Company's proxy statement and any other materials filed by the Company with the SEC can be obtained free of charge at the SEC's website at <http://www.sec.gov> or from the Company at <http://www.gladstonecapital.com>.

\*Permission to use quote neither sought nor obtained from ISS.

Gladstone Capital Corporation is a specialty finance company that invests in debt securities consisting primarily of senior term loans, second term lien loans, and senior subordinated term loans in small and medium-sized businesses. Information on the business activities of all the Gladstone funds can be found at [www.gladstonecompanies.com](http://www.gladstonecompanies.com).

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

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