

GLADSTONE CAPITAL CORP
Form PRE 14A
November 22, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

GLADSTONE CAPITAL CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

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2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

PRELIMINARY COPY

GLADSTONE CAPITAL CORPORATION

1521 Westbranch Drive, Suite 200, McLean, Virginia 22102

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 16, 2012

To the Stockholders of Gladstone Capital Corporation:

Notice Is Hereby Given that the 2012 Annual Meeting of Stockholders of Gladstone Capital Corporation, a Maryland corporation, will be held on Thursday, February 16, 2012 at 11:00 a.m. local time at the Hilton McLean Tyson's Corner at 7920 Jones Branch Drive, McLean, Virginia 22102 for the following purposes:

(1) To elect three directors as outlined below:

(a) Two directors, Messrs. Terry L. Brubaker and David A.R. Dullum, to be elected by the holders of common stock and preferred stock, voting together as a single class, such directors to serve until the annual meeting of stockholders in 2015, or until their successors are elected and qualified; and

(b) One director, John Reilly, to be elected by the holders of preferred stock, voting as a single class, such director to serve until the annual meeting of stockholders in 2015, or until his successor is elected and qualified.

(2) To approve a proposal to authorize us, with the approval of our Board of Directors, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share subject to certain limitations set forth herein (including, without limitation, that the cumulative number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale).

(3) To ratify the selection by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending September 30, 2012.

(4) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Our Board of Directors has fixed the close of business on Monday, December 5, 2011 as the record date for the determination of stockholders entitled to notice of and to vote at this annual meeting and at any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on Thursday, February 16, 2012 at 11:00 a.m. local time at the

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Hilton McLean Tyson s Corner at 7920 Jones Branch Drive, McLean, Virginia 22102

The proxy statement and annual report to stockholders are available at www.proxyvote.com.

By Order of the Board of Directors

Terry L. Brubaker

Secretary

McLean, Virginia

December 16, 2011

ALL OF OUR STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE OR SUBMIT YOUR PROXY ELECTRONICALLY VIA THE INTERNET, OR VOTE BY PROXY OVER THE TELEPHONE AS INSTRUCTED IN THESE MATERIALS. SUBMITTING YOUR PROXY OR VOTING INSTRUCTIONS PROMPTLY WILL ASSIST US IN REDUCING THE EXPENSES OF ADDITIONAL PROXY SOLICITATION, BUT IT WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING (AND, IF YOU ARE NOT A STOCKHOLDER OF RECORD, YOU HAVE OBTAINED A LEGAL PROXY FROM THE BANK, BROKER, TRUSTEE OR OTHER NOMINEE THAT HOLDS YOUR SHARES GIVING YOU THE RIGHT TO VOTE THE SHARES IN PERSON AT THE ANNUAL MEETING).

PRELIMINARY COPY

GLADSTONE CAPITAL CORPORATION

1521 Westbranch Drive, Suite 200, McLean, Virginia 22102

PROXY STATEMENT

FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On February 16, 2012

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the board of directors (the **Board**) of Gladstone Capital Corporation (we, us, or the **Company**) is soliciting your proxy to vote at the 2012 Annual Meeting of Stockholders (the **meeting** or **annual meeting**), including adjournments or postponements thereof, if any. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to vote by proxy over the telephone or through the internet.

We intend to mail these materials on or about December 16, 2011 to all stockholders of record entitled to vote at the annual meeting.

How can I attend the annual meeting?

The meeting will be held on Thursday, February 16, 2012, at 11:00 a.m. Eastern Standard Time (Eastern Time) at the Hilton McLean Tyson's Corner at 7920 Jones Branch Drive, McLean, Virginia 22102. Directions to the annual meeting may be found at www.gladstonecapital.com. Information on how to vote in person at the annual meeting is discussed below.

Who can vote at the annual meeting?

Only our stockholders of record at the close of business on December 5, 2011 will be entitled to vote at the annual meeting. On this record date, there were [] shares of common stock outstanding and entitled to vote and [] shares of preferred stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on December 5, 2011 your shares were registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or through the internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on December 5, 2011 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are three matters scheduled for a vote:

Election of three directors to serve until the 2015 Annual Meeting of Stockholders, as follows:

Two directors, Terry L. Brubaker and David A.R. Dullum, to be elected by the holders of common stock and preferred stock, voting together as a single class, such directors to serve until the annual meeting of stockholders in 2015, or until their successors are elected and qualified; and

One director, John Reilly, to be elected by the holders of preferred stock, voting as a single class, such director to serve until the annual meeting of stockholders in 2015, or until his successor is elected and qualified.

Approval of a proposal to authorize us, with the approval of our Board of Directors, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share subject to certain limitations set forth herein (including, without limitation, that the cumulative number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale); and

Approval of a proposal to ratify the selection, by the Audit Committee of our Board (the Audit Committee), of PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm for our fiscal year ending September 30, 2012.

We will hold a conference call to discuss the matters scheduled for a vote at this year's annual meeting on January 11, 2012, at 9:00 a.m. Eastern Time. Stockholders will have an opportunity to ask questions regarding the proposals during the conference call. You may call (800) 860-2442 (international callers must dial (412) 858-4600) to enter the conference call. An operator will monitor the call and set a queue for the questions. The conference call replay will be available two hours after the call and will be available through the date of the annual meeting, Thursday, February 16, 2012. To hear the replay, please dial (877) 344-7529 and use conference number 10005961. The call will also be available via webcast at www.gladstonecapital.com. The webcast replay will also be available through the date of the annual meeting. In the event of any changes in the scheduled date and time of the call, we will issue a press release, which will be available on our website at www.gladstonecapital.com.

How do I vote?

For each nominee to our Board and for Proposals 2 and 3, you may vote For or Against or abstain from voting. Please note that only preferred stockholders may vote in the election of director nominee John Reilly. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, or vote by proxy over the telephone or through the internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person, even if you have already voted by proxy.

To vote in person, we will give you a ballot when you arrive at the annual meeting.

To vote using the enclosed proxy card, simply complete, sign, date, and return it promptly in the envelope provided. To be counted, we must receive your signed proxy card by 11:59 p.m. Eastern Time on February 15, 2012, the day prior to the annual meeting.

To vote by proxy over the telephone, dial toll-free, 1-800-690-6903, using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. To be counted, we must receive your vote by 11:59 p.m. Eastern Time on February 15, 2012, the day prior to the annual meeting.

To vote by proxy through the internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. To be counted, we must receive your vote by 11:59 p.m. Eastern Time on February 15, 2011, the day prior to the annual meeting.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization, rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted.

Alternatively, you may vote by proxy over the telephone or through the internet, as instructed by your broker or bank. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

We provide internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.

How many votes do I have?

On all matters other than proposal 1(b), you have one vote for each share of common stock you owned as of the close of business on December 5, 2011. On each matter to be voted upon, you have one vote for each share of preferred stock you owned as of the close of business on December 5, 2011.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card, or otherwise vote by proxy without making any voting selections, your shares will be voted For the election of all three nominees for director and For Proposals 2 and 3. If any other matter is properly presented at the meeting, your proxy holder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

Gladstone Capital Corporation will bear the cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of Gladstone Management Corporation, our investment adviser (the Adviser), or Gladstone Administration, LLC (the Administrator). No additional compensation will be paid to directors, officers or other regular employees for such services. We have engaged Georgeson Inc. (Georgeson) to solicit proxies for the annual meeting. Georgeson will be paid a fee of approximately \$5,500 plus out-of-pocket expenses for its basic solicitation services, which include review of proxy materials, dissemination of broker search cards, distribution of proxy materials, solicitation of ADP, brokers, banks and institutional holders, and delivery of executed proxies. The term of the agreement with Georgeson will last for the period of the solicitation, and the agreement provides that we will indemnify and hold harmless Georgeson against any third party claims, except in the case of Georgeson's gross negligence or intentional misconduct.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the proxy cards in the proxy materials to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you wish to revoke your proxy after 11:59 p.m. Eastern Time on February 15, 2012, you may only do so at the annual meeting. If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit another properly completed proxy card with a later date specified thereon.

You may grant a subsequent proxy by telephone or through the internet on a later date.

You may send a timely written notice that you are revoking your proxy to Gladstone Capital Corporation's secretary at 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102.

You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy. If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's annual meeting?

We will consider for inclusion in our proxy materials for the 2013 Annual Meeting of Stockholders proposals that we receive not later than December 21, 2012 and that comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and our bylaws, as amended ("Bylaws"). Stockholders must submit their proposals to our corporate secretary at 1521 Westbranch Drive, Suite 200, McLean, Virginia, 22102.

In addition, any stockholder who wishes to propose a nominee to our Board or propose any other business to be considered by the stockholders (other than a stockholder proposal to be included in our proxy materials pursuant to Rule 14a-8 of the 1934 Act) must comply with the advance notice provisions and other requirements of Article II, Section 4(b) of our Bylaws, a copy of which is on file with the Securities and Exchange Commission ("SEC") and may be obtained from our corporate secretary upon request. These notice provisions require that nominations of persons for election to our Board and proposals of business to be considered by the stockholders for the 2013 Annual Meeting of Stockholders must be made in writing and submitted to our corporate secretary at the address above no earlier than November 21, 2012 (90 days before the first anniversary of our 2012 Annual Meeting of Stockholders) and not later than December 21, 2012 (60 days before the first anniversary of the 2012 Annual Meeting of Stockholders). You are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by representatives of our tabulator for the annual meeting, Broadridge Financial Solutions, Inc., which will separately count For, and Against votes, in addition to abstentions and broker non-votes. The effects of abstentions and broker non-votes on each proposal are described below under the question How many votes are needed to approve each proposal? We expect that our chief financial officer, David Watson, will be appointed as the inspector of election.

What are broker non-votes?

Broker non-votes occur when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. In the event that a broker, bank, or other agent indicates on a proxy that it does not have discretionary authority to vote certain shares on a non-routine proposal, then those shares will be treated as broker non-votes.

Under applicable rules of the New York Stock Exchange, (NYSE), Proposal 1 (election of directors) and Proposal 2 (approval of proposal authorizing us to issue and sell shares below net asset value) are non-routine proposals. Your broker, bank or other agent is not entitled to vote your shares without your instructions for Proposals 1 or 2. Proposal 3 (ratification of the appointment of PwC) is a routine proposal. Your broker, bank or other agent may vote your shares for Proposal 3 even if it does not receive instructions from you.

How many votes are needed to approve each proposal?

Vote Required

Proposal 1 Election of Directors. Terry L. Brubaker and David A.R. Dullum each must be elected by the holders of a majority of the outstanding common stock and preferred stock, voting together as a single class. John Reilly must be elected by the holders of a majority of the outstanding shares of preferred stock, voting as a single class. Stockholders may not cumulate their votes. If you vote abstain with respect to a nominee, your shares will not be voted with respect to such nominee. Broker non-votes and abstentions will not be counted as votes cast for this proposal and as such will have no impact on the outcome of the proposal.

Proposal 2 Authorization, with the approval of our Board of Directors, to issue and sell shares of our common stock (during the next 12 months) at a price below its then current net asset value per share subject to certain limitations set forth herein (including, without limitation, that the cumulative number of shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale). The affirmative vote of each of the following is required to approve this proposal: (1) a majority of the outstanding common stock and preferred stock, voting together as a single class (outstanding voting securities); and (2) a majority of our

outstanding voting securities that are not held by affiliated persons of the Company. For purposes of this proposal, the Investment Company Act of 1940 (the "1940 Act") defines a majority of the outstanding voting securities as the vote of the lesser of: (1) 67% or more of the voting securities of the Company present at the annual meeting, if the holders of more than 50% of the outstanding voting securities of the Company are present or represented by proxy; or (2) more than 50% of the outstanding voting securities of the Company. Each abstention and broker non-vote will have the same effect as an "Against" vote.

Proposal 3 Ratification of our independent registered public accounting firm. The affirmative vote of a majority of the votes casted by common stock and preferred stock, voting together as a single class, at the annual meeting is required to ratify the Audit Committee's selection of PwC as our independent registered public accounting firm for the fiscal year ending September 30, 2012. Abstentions will not be counted as votes cast for this proposal.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if a majority of our total number of outstanding shares of common stock and preferred stock are represented by stockholders present at the meeting or by proxy. On the record date there were [] shares of common stock and [] shares of preferred stock outstanding and entitled to vote. Thus, [] shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in a current report on Form 8-K that we expect to file with the SEC within four business days after the annual meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

What proxy materials are available on the internet?

The letter to stockholders, proxy statement, Form 10-K and annual report to stockholders are available at www.proxyvote.com.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board is divided into three classes. Each class consists of one-third of the total number of directors and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including any vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

Holders of preferred stock are entitled, as a class, to the exclusion of the holders of all other classes of stock, to elect two directors (regardless of the total number of directors serving on our Board). One of these directors is a nominee to be considered at the meeting to serve until the annual meeting of stockholders in 2015, or until his successor is elected and qualified.

Our Board presently has ten members. There are four directors in the class whose term of office expires in 2012. One such incumbent director, Gerard Mead, provided notice to our Board on September 19, 2011 that he would not stand for re-election to the Board, but would serve the remainder of his term, which expires on the date of our next annual meeting. In October 2011, our Board reduced the size of the Board from ten directors to nine, effective at the annual meeting, and reduced the size of the class whose term of office expires in 2015 from four directors to three. Each nominee listed below, with the exception of John Reilly, is currently a director of ours who was previously elected by our common stockholders. John Reilly was appointed by our Board in 2011 to fill a vacancy that resulted from the departure of one of our former directors. If elected at the annual meeting, each nominee would serve until the 2015 annual meeting and until his successor is elected and has qualified, or, if sooner, until his death, resignation or removal.

Proposal 1(a)

The Company's Ethics, Nominating & Corporate Governance Committee (the "Ethics Committee") nominated two incumbent directors Messrs. Terry Brubaker and David A.R. Dullum for election by the common and preferred stockholders, voting together as a single class, for terms expiring in 2015. Mr. Brubaker was selected to serve as a director on our Board, and to be nominated to serve another directorship term, due to his more than thirty years of experience in various mid-level and senior management positions at several corporations, as well as his past service on our Board since our inception. Mr. Dullum was selected to serve as a director on our Board, and to be nominated to serve another directorship term, due to his more than thirty years of experience in various areas of the investment industry as well as his past service on our Board since our inception.

Proposal 1(b)

Pursuant to the terms of the preferred stock issued by the Company in November 2011, the preferred stockholders are entitled to elect two of our directors. The Ethics Committee nominated incumbent director John Reilly for election by the preferred stockholders for a term expiring in 2015. The Company plans to nominate a second director, to be elected by the preferred stockholders at next year's annual meeting of

stockholders. Mr. Reilly was selected to serve as an independent director on our Board, and to be nominated to serve another directorship term, due to his more than forty years of experience in various areas of the investment and mortgage industries.

Directors are elected by a majority of the votes cast at the annual meeting. Shares represented by executed proxies will be voted for the election of the nominees named below unless a contrary direction is indicated on the proxy. In the event that any of the nominees should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominees as management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

Incumbent Directors Serving Until the 2013 or 2014 Annual Meeting

Mr. Adalgren was selected to serve as an independent director on our Board due to his strength and experience in ethics, which also led to his appointment to the chairmanship of our Ethics Committee. Mr. Outland was selected to serve as an independent director on our Board due to his more than twenty years of experience in the real estate and mortgage industry as well as his past service on our Board since 2003. Mr. Gladstone was selected to serve as a director on our Board due to the fact that he is our founder and has greater than thirty years of experience in the industry, including his service as our chairman and chief executive since our inception. Ms. English was selected to serve as an independent director on our Board, due to her greater than twenty years of senior management experience at various corporations and non-profit organizations as well as her past service on our Board since 2002. Mr. Parker was selected to serve as an independent director on our Board due to his expertise and wealth of experience in the field of corporate taxation as well as his past service on our Board since our inception. Mr. Parker's knowledge of corporate tax was instrumental in his appointment to the chairmanship of our Audit Committee. Mr. Stelljes was selected to serve as a director on our Board due to his more than twenty years of experience in the investment analysis, management, and advisory industries, as well as his past service on our Board since 2003.

We encourage directors and nominees for director to attend the annual meeting. Three of our directors attended the 2011 Annual Meeting of Stockholders.

Set forth below is biographical information for each person nominated, each person whose term of office as a director will continue after the annual meeting, and each executive officer who is not a director.

Nominees for a Three-Year Term to Expire at the 2015 Annual Meeting of Stockholders

Name, Address, Age	Position(s)	Term of	Principal	Other
				Directorships
Disinterested Director	Held With	Office and	Occupation(s)	Held by
Company	Length of Term Served	During the	Past Five Years	Director During the Past Five Years
John Reilly (69)* Gladstone Capital Corporation 1521 Westbranch Drive Suite 200 McLean, Virginia 22102	Director	Term expires at 2012 annual meeting. Director since 2011.	President of Reilly Investment Corporation since 1987. From 1976 through 1984, President and CEO of Reilly Mortgage Group, Inc. From 1971 through 1976, served as Vice President of Walker & Dunlop, Inc. From 1967 through 1969, served as Research Engineer for Crane Company.	Gladstone Commercial Corporation; Gladstone Investment Corporation
Interested Directors Terry Lee Brubaker (67)** Gladstone Capital Corporation 1521 Westbranch Drive Suite 200 McLean, Virginia 22102	Vice Chairman, Chief Operating Officer and Secretary	Term expires at 2012 annual meeting. Director since our inception in 2001.	Vice Chairman since 2004. Chief Operating Officer and Secretary since our inception in 2001 and of Gladstone Investment Corporation and Gladstone Commercial Corporation since 2005 and 2003, respectively. President of from May 2001 through April 2004. Vice Chairman of Gladstone Investment Corporation and Gladstone Commercial Corporation since 2005 and July 2007, respectively. President of Gladstone Commercial Corporation from 2003 to July 2007. Vice Chairman, Chief Operating Officer, Secretary and a Director of our Adviser since February 2006. President of our Adviser from 2003 through February 2006.	Gladstone Commercial Corporation; Gladstone Investment Corporation

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David A.R. Dullum (63)**	Director	Term expires at 2012 annual meeting. Director since our inception in 2001.	Senior Managing Director of our Adviser since February 2008. President of Gladstone Investment Corporation since 2008. Partner of New England Partners, a venture capital firm, since 1995. President and a Director of Harbor Acquisition Corporation from May 2005 until May 2008.	Gladstone Commercial Corporation; Gladstone Investment Corporation; Simkar Corporation; Fetco Home Décor, Inc.
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				

Directors Continuing in Office Until the 2013 Annual Meeting of Stockholders

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other
				Directorships Held by Director During the Past Five Years
Disinterested Directors				
Paul W. Adelgren (68)	Director	Term expires at 2013 annual meeting. Director since January 2003.	Pastor of Missionary Alliance Church since 1997.	Gladstone Commercial Corporation; Gladstone Investment Corporation
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				
John H. Outland (66)	Director	Term expires at 2013 annual meeting. Director since December 2003.	Private investor since June 2006. Vice President of Genworth Financial, Inc. from March 2004 to June 2006. Managing Director of 1789 Capital Advisers, a financial consulting company, from 2002 to March 2004.	Gladstone Commercial Corporation; Gladstone Investment Corporation
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				
Interested Director				
David Gladstone (69)**	Chairman of the Board and Chief Executive Officer	Term expires at 2013 Annual Meeting. Director since 2001.	Founder, Chief Executive Officer and Chairman of the Board since our inception in 2001, of Gladstone Investment Corporation since its inception in 2005, and of Gladstone Commercial Corporation since its inception in 2003. Founder, Chief Executive Officer and Chairman of the Board of our Adviser.	Gladstone Commercial Corporation; Gladstone Investment Corporation
Gladstone Capital Corporation				
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				

Directors Continuing in Office Until the 2014 Annual Meeting of Stockholders

Name, Address, Age	Position(s)	Term of	Principal	Other
				Directorships
Disinterested Directors	Held With	Office and	Occupation(s)	Held by
	Company	Length of Term Served	During the Past	Director
			Five Years	During the
				Past Five
				Years
Michela A. English (61)	Director	Term expires at 2014 annual meeting. Director since 2002.	President and Chief Executive Officer of Fight for Children, a non-profit charitable organization focused on providing high-quality education and health care services to underserved youth in Washington, D.C., since June 2006. From March 1996 to March 2004, Ms. English held several positions with Discovery Communications, Inc., including president of Discovery Consumer Products, president of Discovery Enterprises Worldwide and president of Discovery.com.	Gladstone
Gladstone Capital Corporation				Commercial Corporation; Gladstone Investment Corporation
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				
Anthony W. Parker (66)	Director	Term expires at 2014 annual meeting. Director since our inception in 2001.	Founder and Chairman of the Board of Parker Tide Corp. (formerly known as Snell Professional Corp. and Medical Funding Corporation) since 1997.	Gladstone
Gladstone Capital Corporation				Commercial Corporation; Gladstone Investment Corporation
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				
Interested Director				
George Stelljes III (49)**	Director, President, and Chief Investment Officer	Term expires at 2014 annual meeting. Director since 2003.	President since April 2004. Chief Investment Officer since September 2002. Executive Vice President from September 2002 to April 2004. Vice Chairman of Gladstone Investment Corporation since April 2008; Chief Investment Officer of Gladstone Investment Corporation since its inception in 2005. President of Gladstone Investment Corporation from	Gladstone
Gladstone Capital Corporation				Investment Corporation; Gladstone Commercial Corporation; Intrepid Capital Corporation
1521 Westbranch Drive				
Suite 200				
McLean, Virginia 22102				

its inception in 2005 through April 2008. President of Gladstone Commercial Corporation since July 2007 and Executive Vice President of Gladstone Commercial Corporation from its inception to July 2007. Chief Investment Officer of Gladstone Commercial Corporation since inception in 2003. President of our Adviser since February 2006. Chief Investment Officer and a director of our Adviser since May 2003. Director of Intrepid Capital Management, Inc. since 2003, and general partner and investment committee member of Patriot Capital and Patriot Capital II private equity funds since 2002.

Executive Officers Who Are Not Directors

Name, Address, Age	Position(s) Held With Company	Term of Office and	Principal Occupation(s)
		Length of Term Served	During the Past Five Years
David Watson (36) Gladstone Capital Corporation 1521 Westbranch Drive Suite 200 McLean, Virginia 22102	Chief Financial Officer	Executive Officer since January 2011.	Chief Financial Officer since January 2011 and Chief Financial Officer of Gladstone Investment Corporation since January 2010. Director of Portfolio Accounting of MCG Capital from July 2007 until January 2010. Associate Director for Navigant Consulting Inc. from July 2004 until July 2007.
Gary Gerson (47) Gladstone Capital Corporation 1521 Westbranch Drive Suite 200 McLean, Virginia 22102	Treasurer	Executive Officer since April 2006.	Treasurer since April 2006. Treasurer of Gladstone Investment Corporation, Gladstone Commercial Corporation, and our Adviser since April 2006. Assistant Vice President of Finance at the Bozzuto Group, a real estate developer, manager and owner, from February 2004 through February 2006.

* The election of director nominee John Reilly shall be voted upon solely by our preferred stockholders.

** Messrs. Gladstone, Brubaker, Stelljes and Dullum are interested persons of Gladstone Capital Corporation, within the meaning of the 1940 Act, due to their positions as our officers or as officers of our Adviser, or both.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR
OF EACH NAMED NOMINEE FOR DIRECTOR.**

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

As required under the NASDAQ listing standards, our Board annually determines each director's independence. The NASDAQ listing standards provide that a director of a business development company is considered to be independent if he or she is not an interested person of ours, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an interested person to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with us.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent auditors, the Board has affirmatively determined that the following five directors are independent directors within the meaning of the applicable NASDAQ listing standards: Messrs. Adलगren, Mead, Outland, Parker and Ms. English. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with us. Mr. Gladstone, the chairman of our Board and our chief executive officer, Mr. Brubaker, our vice chairman, chief operating officer and secretary, Mr. Stelljes, our president and chief investment officer, and Mr. Dullum, a senior managing director of our Adviser, are not independent directors by virtue of their positions as officers of the Company or our Adviser or their employment by our Adviser.

Meetings of the Board of Directors

Our Board met four times during the last fiscal year. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served that were held during the period for which he or she was a director or committee member.

As required under applicable NASDAQ listing standards, which require regularly scheduled meetings of independent directors, our independent directors met four times during fiscal year 2011 in regularly scheduled executive sessions at which only independent directors were present.

Corporate Leadership Structure

Since our inception, Mr. Gladstone has served as chairman of our Board and our chief executive officer. Our Board believes that our chief executive officer is best situated to serve as chairman because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. In addition, Mr. Adलगren, one of our independent directors, serves as the Lead Director for all meetings of our independent directors held in executive session. The Lead Director has the responsibility of presiding at all executive sessions of our

Board, consulting with the chairman and chief executive officer on Board and committee meeting agendas, acting as a liaison between management and the independent directors and facilitating teamwork and communication between the independent directors and management.

Our Board believes the combined role of chairman and chief executive officer, together with an independent Lead Director, is in the best interest of stockholders because it provides the appropriate balance between strategic development and independent oversight of risk management. In coming to this conclusion, the Board considered the importance of having an interested chairperson that is familiar with our day-to-day management activities, our portfolio companies and the operations of our Adviser. The Board concluded that the combined role enhances, among other things, the Board's understanding of the Fund's investment portfolio, business, finances and risk management efforts. In addition, the Board believes that Mr. Gladstone's employment by the Adviser better allows for the efficient mobilization of the Adviser's resources at the Board's behest and on its behalf.

Information Regarding Committees of the Board of Directors

Our Board has four committees: an Audit Committee, a Compensation Committee, an Executive Committee and an Ethics Committee. The following table shows the current composition of each of the committees of our Board:

Name	Audit	Compensation	Executive	Ethics, Nominating and Corporate Governance
Paul W. Adelgren**		X		*X
Terry Lee Brubaker			X	
Michela A. English	X			
David Gladstone			*X	
Gerard Mead***	X	X		
John H. Outland		*X		X
Anthony W. Parker	*X		X	
John Reilly	X			

* Committee Chairperson

** Lead Independent Director

*** Effective at our next annual meeting, Mr. Mead will no longer serve on our Board. At such time, his committee assignments will not be reassigned to other members of our Board.

Below is a description of each committee of our Board. All committees other than the Executive Committee have the authority to engage legal counsel or other experts or consultants, as they deem appropriate to carry out their responsibilities. Our Board has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to us (other than with respect to the Executive Committee, for which there are no applicable independence requirements).

Audit Committee

The Audit Committee of our Board oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review our annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm, including reviewing our disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations. During fiscal 2011, the Audit Committee was comprised of Messrs. Parker (Chairperson), Reilly (service commenced in January 2011), and Mead and Ms. English. Messrs. Adलगren and Outland currently serve as alternate members of the Audit Committee. Alternate members of the Audit Committee serve and participate in meetings of the Audit Committee only in the event of an absence of a regular member of the Audit Committee. The Audit Committee met eight times during the last fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on our website at www.gladstonecapital.com.

Our Board reviews the NASDAQ listing standards definition of independence for audit committee members and has determined that all members and alternate members of our Audit Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). No members of the Audit Committee received any compensation from us during the last fiscal year other than directors' fees. Our Board has also determined that each member (including alternate members) of the Audit Committee qualifies as an audit committee financial expert, as defined in applicable SEC rules. Our Board made a qualitative assessment of the members' level of knowledge and experience based on a number of factors, including formal education and experience. Our Board has also unanimously determined that all Audit Committee members and alternate members are financially literate under current NASDAQ rules and that at least one member has financial management expertise. Messrs. Mead and Parker and Ms. English also serve on the audit committees of Gladstone Commercial Corporation and Gladstone Investment Corporation. Our Audit Committee's current alternate members, Messrs. Adलगren and Outland, also serve as alternate members on the audit committees of Gladstone Commercial Corporation and Gladstone Investment Corporation. Our Board has determined that this simultaneous service does not impair the respective directors' ability to effectively serve on our Audit Committee.

Report of the Audit Committee of the Board of Directors⁽¹⁾

The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended September 30, 2011.

The Audit Committee has reviewed and discussed the Company's audited financial statements with management and PricewaterhouseCoopers LLP, the Company's independent registered pub