

GLADSTONE CAPITAL CORP
Form PRE 14A
December 24, 2003

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

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

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 under §240 14a-12

GLADSTONE CAPITAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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(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)(4) and 0-11

(1) Title of each class of securities to which transaction applies:

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(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):

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(3) Filing Party:

(4) Date Filed:

GLADSTONE CAPITAL CORPORATION

1616 Anderson Road, Suite 208, McLean, Virginia 22102

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 18, 2004

To The Stockholders Of Gladstone Capital Corporation:

Notice Is Hereby Given that the Annual Meeting of Stockholders of Gladstone Capital Corporation, a Maryland corporation (the Company), will be held on Wednesday, February 18, 2004 at 11:00 a.m. local time in the third floor conference room of the Company's principal executive office at 1616 Anderson Road, McLean, VA 22102 for the following purposes:

- (1) To elect three Class III directors to hold office until the 2007 Annual Meeting of Stockholders.
- (2) To approve an investment advisory and administrative agreement between the Company and Gladstone Management Company.
- (3) 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.

The board of directors has fixed the close of business on December 22, 2003 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.

By Order of the Board of Directors

/s/ TERRY BRUBAKER

Terry Brubaker
Secretary

McLean, Virginia
January 5, 2004

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

GLADSTONE CAPITAL CORPORATION

1616 Anderson Road, Suite 208, McLean, Virginia 22102

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS

February 18, 2004

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the board of directors of Gladstone Capital Corporation, a Maryland corporation (the *Company* or the *Fund*), for use at the Annual Meeting of Stockholders to be held on February 18, 2004, at 11:00 a.m. local time (the *Annual Meeting*), or at any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting. The Annual Meeting will be held in the third floor conference room of the *Company's* principal executive office at 1616 Anderson Road, McLean, VA 22102. The *Company* intends to mail this proxy statement and accompanying proxy card on or about January 5, 2004 to all stockholders entitled to vote at the Annual Meeting.

Solicitation

The *Company* and Gladstone Management Company (*Gladstone Management*) will share 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 the *Company's* common stock beneficially owned by others to forward to such beneficial owners. The *Company* or Gladstone Management may reimburse persons representing beneficial owners of the *Company's* 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 the *Company* and Gladstone Management. No additional compensation will be paid to directors, officers or other regular employees for such services. The *Company* has engaged Georgeson Shareholder Communications Company (*Georgeson*) to solicit proxies for the Annual Meeting. Georgeson will be paid a fee of \$6,000 for its basic solicitation services, which includes 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 the *Company* indemnify and hold harmless Georgeson against any third party claims, except in the case of Georgeson's gross negligence or intentional misconduct.

Voting Rights and Outstanding Shares

Only holders of record of the Company's common stock at the close of business on December 22, 2003 will be entitled to notice of and to vote at the Annual Meeting. At the close of business on December 22, 2003 the Company had outstanding and entitled to vote 10,081,844 shares of common stock.

Each holder of record of the Company's common stock on such date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting.

All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions and broker non-

votes are counted towards a quorum but are not counted for any purpose in determining whether a matter is approved.

Revocability of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company at the Company's principal executive office, 1616 Anderson Road, Suite 208, McLean, Virginia 22102, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person.

Attendance at the meeting will not, by itself, revoke a proxy. However, no proxy is valid after eleven months from its date, unless otherwise provided in the proxy.

Stockholder Proposals and Stockholder Communications with the Board of Directors

The deadline for submitting a stockholder proposal for inclusion in the Company's proxy statement and form of proxy for the Company's 2005 annual meeting of stockholders pursuant to Rule 14a-8 of the Securities and Exchange Commission (the "SEC") is September 7, 2004. Stockholders wishing to submit proposals or director nominations that are not to be included in such proxy statement and proxy must deliver notice to the Secretary at the principal executive offices of the Company not later than the close of business on December 20, 2004 nor earlier than the close of business on November 19, 2004. Stockholders are also advised to review the Company's Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

The Company's Board has adopted a formal process by which stockholders may communicate with the Board. Stockholders who wish to communicate with the Board may do so by sending written communications addressed to the Board of Directors of Gladstone Capital Corporation, at 1616 Andersen Road, Suite 208, McLean, Virginia 22012. This information is also contained on the Company's website at www.gladstonecapital.com.

PROPOSAL 1 ELECTION OF THREE CLASS III DIRECTORS

The Company's board of directors (the "Board") is divided into three classes, Class I, Class II and Class III, of three directors each, with each class having a three-year term. In general, vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. However, if the stockholders of any class or series are entitled separately to elect one or more directors, a majority of the remaining directors elected by that class or series or the sole remaining director elected by that class or series may fill any vacancy in the directors elected by that class or series. A director elected by the Board to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, and until his or her successor is elected and qualifies.

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The Board presently has nine members. The term of office for the Class III directors is expiring in 2004. Each of the nominees for election to Class III are incumbent directors. If elected at the Annual Meeting, each nominee would serve until the 2007 annual meeting, or until his successor is elected and qualifies, or his earlier death, resignation or removal. No nominee has been proposed for election pursuant to any agreement or understanding between him and the Company.

Directors are elected by a majority of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. 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. The nominees have agreed to serve if elected, and management has no reason to believe that any of them will be unable to serve.

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 Election as Class III Directors for a Three-year Term Expiring at the 2007 Annual Meeting

Name, Address, Age	Position(s) Held With Fund	Term of Office and Length of Term Served	Principal Occupation(s) and During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Disinterested Directors					
Paul Adelgren (61) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2007 Annual Meeting. Director of Fund since January 2003.	Pastor of Missionary Alliance Church since 1997	1	Gladstone Commercial Corporation
John H. Outland (58) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2007 Annual Meeting. Director of Fund since December 2003.	Managing Director of 1789 Capital Advisors, a financial consulting company, since 2002. Vice President of Mortgage Backed Securities at Financial Guaranty Insurance Company from 1999 to 2001. And Senior Vice President of Citicorp Mortgage Securities, Inc. from 1993 to 1999.	1	Gladstone Commercial Corporation
Interested Director					
David Gladstone (61)* Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Chairman of the Board and Chief Executive Officer	Term expires at 2007 Annual Meeting. Director of the Company since 2001.	Founder, Chief Executive Officer and Chairman of the Board of the Fund since its inception in May 2001. From April 1997 to August 2001 Mr. Gladstone was chairman or vice chairman of the board of directors of American Capital Strategies, a publicly traded leveraged buyout fund and mezzanine debt finance company.	1	Gladstone Commercial Corporation

Class I Directors Continuing in Office Until the 2005 Annual Meeting

Name, Address, Age	Position(s) Held With Fund	Term of Office and Length of Term Served	Principal Occupation(s) and During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Disinterested Director					
Michela A. English (53) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2005 Annual Meeting. Director of Fund since June 2002.	President of Discovery Consumer Products, the retail, publishing and licensing arm of Discovery Communications, Inc., the leading global real-world media and entertainment company, since 1996.	1	Gladstone Commercial Corporation
Interested Directors					
Anthony W. Parker (58)* Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2005 Annual Meeting. Director of the Company since August 2001.	Founder and Chairman of the Board of Medical Funding Corporation, a company that specializes in accounts receivable financing for healthcare providers, since 1996.	1	Gladstone Commercial Corporation
George Stelljes, III (42)* Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director, Executive Vice President and Chief Investment Officer	Term expires at 2005 Annual Meeting. Director of the Company since July 2003.	Executive Vice President and Chief Investment Officer of the Fund since September 2002. Co-founder and Managing Member of Camden Partners, a private equity firm from 1999 to 2002. Partner of Columbia Capital, a venture capital fund, from 1997 to 1999.	1	None

Class II Directors Continuing in Office Until the 2006 Annual Meeting

Name, Address, Age	Position(s) Held With Fund	Term of Office and Length of Term Served	Principal Occupation(s) and During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Disinterested Directors					
David A.R. Dullum (55) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2006 Annual Meeting. Director of Fund since August 2001.	Partner of New England Partners, a venture capital firm since 1995.	1	Gladstone Commercial Corporation
Maurice W. Coulon (60) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director	Term expires at 2006 Annual Meeting. Director of Fund since August 2003.	Private investor in real estate since 2000. Director of Portfolio Management of Morgan Stanley Real Estate Fund from 1991 to 2000.	1	Gladstone Commercial Corporation
Interested Director					
Terry Lee Brubaker (60)* Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Director, President and Chief Operating Officer	Term expires at 2006 Annual Meeting. Director of the Company since May 2001.	President and Chief Operating Officer of the Fund since May 2001. Founder and chairman of the board of Heads Up Systems, a process consulting firm since 1999. Vice President of American Forest & Paper Association from 1996 to 1999.	1	Gladstone Commercial Corporation

Sole Executive Officer Who Is Not A Director

Name, Address, Age	Position(s) Held With Fund	Term of Office and Length of Term Served	Principal Occupation(s) and During the Past Five Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director
Harry Brill (56) Gladstone Capital Corporation 1616 Andersen Road, Suite 208 McLean, Virginia 22102	Treasurer and Chief Financial Officer	Term expires at the 2004 Annual Meeting. Executive Officer since May 2001.	Treasurer and Chief Financial Officer since May 2001. Personal financial advisor from 1995 to 2001.	n/a	None

* Messrs. Gladstone, Brubaker, and Stelljes are interested persons of the Fund, within the meaning of the Investment Company Act of 1940, due to their positions as officers of the Fund. Mr. Parker is an interested person of the Fund as a result of related transactions with the Fund.

Positions of Interested Directors with Certain Affiliates of the Company

Mr. Gladstone is the Chairman of the Board and Chief Executive Officer, Mr. Brubaker is the President, Secretary and Chief Operating Officer, and Mr. Stelljes is the Executive Vice President and Chief Investment Officer of Gladstone Commercial Corporation, a real estate investment trust that is advised by Gladstone Management.

Ownership of Company Securities

Interested Directors

Name	Dollar Range of Equity Securities in the Company
David Gladstone	Over \$100,000
Terry Lee Brubaker	Over \$100,000
George Stelljes, III	Over \$100,000
Anthony W. Parker	Over \$100,000

Disinterested Directors

Name	Dollar Range of Equity Securities in the Company
Paul Adलगren	Over \$100,000
Maurice W. Coulon	Over \$100,000
David A.R. Dullum	Over \$100,000
Michela A. English	Over \$100,000