

GLADSTONE CAPITAL CORP
 Form 497
 August 01, 2018
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Filed Pursuant to Rule 497

Securities Act File No. 333-208637

Supplement No. 2, dated August 1, 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 and Supplement No. 1 dated May 3, 2018 to 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 July 31, 2018 are as follows:

Fiscal Year 2018

Issuance of Common

Stock	Number of Shares	Gross Proceeds	Sales Commission	Offering Expenses	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 ended June 30, 2018	762,671	6,965,456	104,482	19,998	9.13

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Fourth Quarter (through July 31, 2018)	140,467	1,293,540	19,403	3,795	9.21
Total	1,640,215	\$ 15,186,728	\$ 227,801	\$ 45,847	\$ 9.26

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 July 31, 2018, we filed our Quarterly Report on Form 10-Q (Form 10-Q) for the quarter ended June 30, 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 JUNE 30, 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)
1521 WESTBRANCH DRIVE, SUITE 100

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

MCLEAN, VIRGINIA
(Address of principal executive office)
(703) 287-5800

22102
(Zip Code)

(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 every Interactive Data File required to be submitted 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 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 July 30, 2018 was 27,800,899.

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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)

	June 30, 2018	September 30, 2017
ASSETS		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of \$357,598 and \$318,952, respectively)	\$ 336,772	\$ 290,860
Affiliate investments (Cost of \$54,195 and \$49,868, respectively)	51,892	42,648
Control investments (Cost of \$41,865 and \$42,615 respectively)	16,224	18,865
Cash and cash equivalents	2,421	5,012
Restricted cash and cash equivalents	186	258
Interest receivable, net	2,699	1,699
Due from administrative agent	3,236	3,086
Deferred financing fees	1,531	853
Other assets, net	463	2,579
TOTAL ASSETS	\$ 415,424	\$ 365,860
LIABILITIES		
Borrowings, at fair value (Cost of \$117,000 and \$93,000, respectively)	\$ 117,000	\$ 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	50,007	49,849
Accounts payable and accrued expenses	281	522
Interest payable	319	264
Fees due to Adviser ^(A)	2,004	1,292
Fee due to Administrator ^(A)	310	244
Other liabilities	552	924
TOTAL LIABILITIES	\$ 170,473	\$ 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 27,660,432 and 26,160,684 shares issued and outstanding, respectively	\$ 28	\$ 26
Capital in excess of par value	361,549	348,248
Cumulative net unrealized depreciation of investments	(48,770)	(59,062)

Cumulative net unrealized depreciation of other		(115)
Over distributed net investment income	(237)	(139)
Accumulated net realized losses	(67,619)	(69,308)
TOTAL NET ASSETS	\$ 244,951	\$ 219,650
NET ASSET VALUE PER COMMON SHARE	\$ 8.86	\$ 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.

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

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 8,675	\$ 6,885	\$ 24,642	\$ 18,651
Affiliate investments	1,243	1,042	3,531	3,176
Control investments	375	371	1,438	1,249
Cash and cash equivalents	9	7	28	14
Total interest income (excluding PIK interest income)	10,302	8,305	29,639	23,090
PIK interest income				
Non-Control/Non-Affiliate investments	1,063	1,162	3,257	3,223
Affiliate investments	70	162	209	537
Total PIK interest income	1,133	1,324	3,466	3,760
Total interest income	11,435	9,629	33,105	26,850
Success fee income				
Non-Control/Non-Affiliate investments	430		430	391
Affiliate investments				1,142
Total success fee income	430		430	1,533
Other income	514	3	789	16
Total investment income	12,379	9,632	34,324	28,399
EXPENSES				
Base management fee ^(A)	1,801	1,480	5,261	4,217
Loan servicing fee ^(A)	1,294	1,071	3,754	3,009
Incentive fee ^(A)	1,499	1,116	4,082	3,479
Administration fee ^(A)	310	272	894	858
Interest expense on borrowings	1,556	904	4,356	2,047
Dividend expense on mandatorily redeemable preferred stock	776	1,029	2,328	3,087
Amortization of deferred financing fees	237	274	777	821
Professional fees	200	223	745	665
Other general and administrative expenses	266	230	828	774

Expenses, before credits from Adviser	7,939	6,599	23,025	18,957
Credit to base management fee - loan servicing fee ^(A)	(1,294)	(1,071)	(3,754)	(3,009)
Credits to fees from Adviser - other ^(A)	(262)	(1,275)	(2,133)	(3,494)
Total expenses, net of credits	6,383	4,253	17,138	12,454
NET INVESTMENT INCOME	5,996	5,379	17,186	15,945
NET REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	158	(23)	984	3,903
Affiliate investments	41		145	(2,330)
Control investments			(32)	(4,999)
Other			(133)	
Total net realized gain (loss)	199	(23)	964	(3,426)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	3,755	283	7,266	(6,320)
Affiliate investments	2,252	190	4,917	364
Control investments	(109)	516	(1,891)	5,243
Other		(182)	115	(71)
Total net unrealized appreciation (depreciation)	5,898	807	10,407	(784)
Net realized and unrealized gain (loss)	&nb			