

GLADSTONE CAPITAL CORP
Form 10-Q
February 03, 2009
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE QUARTER ENDED DECEMBER 31, 2008

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

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.)

1521 WESTBRANCH DRIVE, SUITE 200

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MCLEAN, VIRGINIA 22102

(Address of principal executive office)

(703) 287-5800

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12 b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company .

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of February 3, 2009 was 21,087,574.

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	December 31, 2008	September 30, 2008
ASSETS		
Non-Control/Non-Affiliate investments (Cost 12/31/08: \$437,657; 9/30/08: \$448,356)	\$ 384,012	\$ 407,153
Control investments (Cost 12/31/08: \$13,112; 9/30/08: \$12,514)	566	780
Total investments at fair value (Cost 12/31/08: \$450,769; 9/30/08: \$460,870)	384,578	407,933
Cash	5,756	6,493
Interest receivable investments in debt securities	2,762	3,588
Interest receivable employees (Refer to Note 4)	15	91
Due from custodian	7,303	4,544
Deferred financing fees	1,208	1,905
Prepaid assets	321	306
Other assets	1,044	838
TOTAL ASSETS	\$ 402,987	\$ 425,698
LIABILITIES		
Accounts payable	\$ 8	\$ 8
Interest payable	544	646
Fee due to Administrator (Refer to Note 4)	227	247
Fees due to Adviser (Refer to Note 4)	725	457
Borrowings under line of credit	146,470	151,030
Accrued expenses and deferred liabilities	1,147	1,328
Funds held in escrow	76	234
TOTAL LIABILITIES	149,197	153,950
NET ASSETS	\$ 253,790	\$ 271,748
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value, 50,000,000 shares authorized and 21,087,574 shares issued and outstanding at December 31, 2008 and September 30, 2008	\$ 21	\$ 21
Capital in excess of par value	334,140	334,143
Notes receivable employees (Refer to Note 4)	(9,170)	(9,175)
Net unrealized depreciation on investments	(66,191)	(52,937)
Unrealized depreciation on derivative	(304)	(304)
Distributions in excess of net investment income	(4,706)	
TOTAL NET ASSETS	\$ 253,790	\$ 271,748
NET ASSETS PER SHARE	\$ 12.04	\$ 12.89

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

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GLADSTONE CAPITAL CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2008
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company (1)	Industry	Investment (2)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS				
Access Television Network, Inc.	Service-cable airtime (infomercials)	Senior Term Debt (5) (10.5%, Due 3/2009)	\$ 1,618	\$ 1,452
ACE Expeditors, Inc	Service - over-the-ground logistics	Line of Credit, \$850 available (4.3%, Due 1/2011) Senior Term Debt (5) (7.8%, Due 1/2012) Common Stock Warrants (8) (14)	11,387 200	10,477 183
ActivStyle Acquisition Co.	Service-medical products distribution	Line of Credit, \$1,500 available (5) (6.2%, Due 7/2009) Senior Term Debt (5) (8.5%, Due 9/2012) Senior Term Debt (3) (5) (10.5%, Due 9/2012)	1,100 4,524 4,435	1,053 4,247 4,047
AKQA Holdings	Service - market and advertising	Senior Term Debt (6) (6.0%, Due 3/2013)	8,319	8,271
Allison Publications, LLC	Service-publisher of consumer oriented magazines	Line of Credit, \$1,000 available (10.0%, Due 9/2010) Senior Term Debt (5) (10.0%, Due 9/2012)	10,174	8,293
Anitox Acquisition Company	Manufacturing-preservatives for animal feed	Line of Credit, \$3,000 available (5) (6.2%, Due 1/2010) Senior Term Debt (5) (8.5%, Due 1/2012) Senior Term Debt (3) (5) (10.5%, Due 1/2012)	2,000 3,288 3,688	1,847 3,037 3,338
Badanco Acquisition Corp.	Service-luggage design and distribution	Senior Subordinated Term Debt (5) (11.5%, Due 7/2012)	9,409	8,280

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BAS Broadcasting	Service-radio station operator	Senior Term Debt (5) (11.5%, Due 7/2013)	7,300	6,926
		Senior Term Debt (3) (5) (12.0%, Due 7/2009)	950	936
Bresnan Communications, LLC	Service-telecommunications	Senior Term Debt (6) (4.2%, Due 9/2013)	3,001	2,279
		Senior Subordinated Term Debt (6) (7.6%, Due 3/2014)	1,508	1,322
CCS, LLC	Service-cable TV franchise owner	Senior Term Debt (5) (13) (7.3%, Due 8/2008)	631	252
CHG Companies, Inc.	Service-healthcare staffing	Letter of Credit, \$400 available (6) (6.0%, Due 12/2012)	400	321
		Senior Term Debt (6) (3.0%, Due 12/2012)	1,523	1,254
		Senior Subordinated Term Debt (6) (6.5%, Due 12/2013)	500	385

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GLADSTONE CAPITAL CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

AS OF DECEMBER 31, 2008

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (1)	Industry	Investment (2)	Cost	Fair Value
Chinese Yellow Pages Company	Service-publisher of Chinese language directories	Line of Credit, \$700 available (5) (7.3%, Due 9/2010)	\$ 675	598
		Senior Term Debt (5) (7.3%, Due 9/2010)	656	575
Clinton Holdings, LLC	Distribution-aluminum sheets and stainless steel	Senior Subordinated Term Debt (5) (12.0%, Due 1/2013)	15,500	14,357
		Common Stock Warrants (8) (14)	109	
CMI Acquisition, LLC	Service-recycling	Senior Subordinated Term Debt (5) (7.4%, Due 11/2012)	6,414	5,805
Defiance Acquisition Corporation	Manufacturing-trucking parts	Senior Term Debt (3) (5) (11.0%, Due 4/2010)	6,085	4,564
Doe & Ingalls Management LLC	Distributor-specialty chemicals	Senior Term Debt (5) (6.8%, Due 11/2010)	2,900	2,726
		Senior Term Debt (3) (5) (7.8%, Due 11/2010)	4,399	4,113
Emdeon Business Services, Inc.	Service-healthcare technology solutions	Senior Term Debt (6) (3.5%, Due 11/2013)	2,353	1,761
		Senior Subordinated Term Debt (6) (3.0%, Due 5/2014)	2,011	1,425
Finn Corporation	Manufacturing-landscape equipment	Common Stock Warrants (8) (14)	37	1,815
GFRC Holdings LLC	Manufacturing-glass-fiber reinforced concrete	Line of Credit, \$3,000 available (6.2%, Due 12/2010)		
		Senior Term Debt (5) (9.0%, Due 12/2012)	7,168	6,792
		Senior Subordinated Term Debt (3) (5) (11.5%, Due 12/2012)	6,699	6,239
Global Materials Technologies, Inc.	Manufacturing-steel wool products and metal fibers	Senior Term Debt (3) (5) (13.0%, Due 11/2009)	4,560	4,047
GTM Holdings, Inc.	Manufacturing-socks	Senior Term Debt (6) (8.5%, Due 10/2013)	490	399
		Senior Subordinated Term Debt (6)	500	