

GLADSTONE CAPITAL CORP  
Form 10-Q  
May 02, 2018  
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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 MARCH 31, 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)**

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

**Fat-the**

**1521 WESTBRANCH DRIVE, SUITE 100**

**MCLEAN, VIRGINIA**  
**(Address of principal executive office)**

**22102**  
**(Zip Code)**

**(703) 287-5800**

**(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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.

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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 May 1, 2018 was 26,897,761.

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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)**

	March 31, 2018	September 30, 2017
<b>ASSETS</b>		
Investments, at fair value:		
Non-Control/Non-Affiliate investments (Cost of <b>\$360,816</b> and \$318,952, respectively)	<b>\$ 336,235</b>	\$ 290,860
Affiliate investments (Cost of <b>\$54,125</b> and \$49,868, respectively)	<b>49,570</b>	42,648
Control investments (Cost of <b>\$41,865</b> and \$42,615 respectively)	<b>16,333</b>	18,865
Cash and cash equivalents	<b>1,819</b>	5,012
Restricted cash and cash equivalents	<b>186</b>	258
Interest receivable, net	<b>2,207</b>	1,699
Due from custodian	<b>3,300</b>	3,086
Deferred financing fees	<b>1,699</b>	853
Other assets, net	<b>656</b>	2,579
<b>TOTAL ASSETS</b>	<b>\$ 412,005</b>	\$ 365,860
<b>LIABILITIES</b>		
Borrowings, at fair value (Cost of <b>\$127,800</b> and \$93,000, respectively)	<b>\$ 127,800</b>	\$ 93,115
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; <b>5,440,000</b> and 5,440,000 shares authorized, respectively, and <b>2,070,000</b> and 2,070,000 shares issued and outstanding, respectively	<b>49,938</b>	49,849
Accounts payable and accrued expenses	<b>307</b>	522
Interest payable	<b>386</b>	264
Fees due to Adviser <sup>(A)</sup>	<b>1,007</b>	1,292
Fee due to Administrator <sup>(A)</sup>	<b>312</b>	244
Other liabilities	<b>530</b>	924
<b>TOTAL LIABILITIES</b>	<b>\$ 180,280</b>	\$ 146,210
Commitments and contingencies <sup>(B)</sup>		
<b>NET ASSETS</b>		
Common stock, \$0.001 par value, <b>44,560,000</b> and 44,560,000 shares authorized, respectively, and <b>26,897,761</b> and 26,160,684 shares issued and outstanding, respectively	<b>\$ 27</b>	\$ 26
Capital in excess of par value	<b>354,779</b>	348,248
Cumulative net unrealized depreciation of investments	<b>(54,668)</b>	(59,062)

Cumulative net unrealized depreciation of other		(115)
Over distributed net investment income	(155)	(139)
Accumulated net realized losses	(68,258)	(69,308)
<b>TOTAL NET ASSETS</b>	<b>\$ 231,725</b>	<b>\$ 219,650</b>
<b>NET ASSET VALUE PER COMMON SHARE</b>	<b>\$ 8.62</b>	<b>\$ 8.40</b>

(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.*

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

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>INVESTMENT INCOME</b>				
Interest income				
Non-Control/Non-Affiliate investments	<b>\$ 8,283</b>	\$ 5,957	<b>\$ 15,967</b>	\$ 11,766
Affiliate investments	<b>1,177</b>	972	<b>2,288</b>	2,135
Control investments	<b>376</b>	433	<b>1,063</b>	878
Cash and cash equivalents	<b>7</b>	5	<b>19</b>	7
<b>Total interest income (excluding PIK interest income)</b>	<b>9,843</b>	7,367	<b>19,337</b>	14,786
PIK interest income				
Non-Control/Non-Affiliate investments	<b>1,088</b>	1,064	<b>2,194</b>	2,061
Affiliate investments	<b>69</b>	157	<b>139</b>	374
<b>Total PIK interest income</b>	<b>1,157</b>	1,221	<b>2,333</b>	2,435
<b>Total interest income</b>	<b>11,000</b>	8,588	<b>21,670</b>	17,221
Success fee income				
Non-Control/Non-Affiliate investments				391
Affiliate investments				1,142
<b>Total success fee income</b>				<b>1,533</b>
Other income	<b>86</b>	205	<b>275</b>	13
<b>Total investment income</b>	<b>11,086</b>	8,793	<b>21,945</b>	18,767
<b>EXPENSES</b>				
Base management fee <sup>(A)</sup>	<b>1,784</b>	1,359	<b>3,460</b>	2,737
Loan servicing fee <sup>(A)</sup>	<b>1,274</b>	955	<b>2,460</b>	1,938
Incentive fee <sup>(A)</sup>	<b>1,210</b>	1,070	<b>2,583</b>	2,363
Administration fee <sup>(A)</sup>	<b>312</b>	286	<b>584</b>	586
Interest expense on borrowings	<b>1,569</b>	587	<b>2,800</b>	1,143
Dividend expense on mandatorily redeemable preferred stock	<b>776</b>	1,029	<b>1,552</b>	2,058
Amortization of deferred financing fees	<b>292</b>	274	<b>540</b>	547
Professional fees	<b>290</b>	206	<b>545</b>	442
Other general and administrative expenses	<b>270</b>	143	<b>562</b>	544

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Expenses, before credits from Adviser	7,777	5,909	15,086	12,358
Credit to base management fee - loan servicing fee <sup>(A)</sup>	(1,274)	(955)	(2,460)	(1,938)
Credits to fees from Adviser - other <sup>(A)</sup>	(1,030)	(1,520)	(1,871)	(2,219)
Total expenses, net of credits	5,473	3,434	10,755	8,201
<b>NET INVESTMENT INCOME</b>	<b>5,613</b>	<b>5,359</b>	<b>11,190</b>	<b>10,566</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	224	44	826	3,926
Affiliate investments	104		104	(2,330)
Control investments	(4)	1	(32)	(4,999)
Other			(133)	
Total net realized gain (loss)	324	45	765	(3,403)
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	2,603	(736)	3,511	(6,603)
Affiliate investments	1,625	(532)	2,665	174
Control investments	(1,194)	621	(1,782)	4,727
Other	333	(101)	115	111
Total net unrealized appreciation (depreciation)	3,367	(748)	4,509	(1,591)
Net realized and unrealized gain (loss)	3,691	(703)	5,274	(4,994)
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 9,304</b>	<b>\$ 4,656</b>	<b>\$ 16,464</b>	<b>\$ 5,572</b>

<sup>(A)</sup> Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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



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

**BASIC AND DILUTED PER COMMON SHARE:**

Net investment income	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42
Net increase in net assets resulting from operations	\$ 0.35	\$ 0.18	\$ 0.62	\$ 0.22
Distributions declared and paid	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42

**WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:**

Basic and Diluted	<b>26,709,476</b>	25,517,866	<b>26,615,106</b>	25,144,358
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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
<b>OPERATIONS</b>		
Net investment income	\$ 11,190	\$ 10,566
Net realized gain (loss) on investments	898	(3,403)
Realized loss on other	(133)	
Net unrealized appreciation (depreciation) of investments	4,394	(1,702)
Net unrealized appreciation of other	115	111
Net increase in net assets resulting from operations	16,464	5,572
<b>DISTRIBUTIONS</b>		
Distributions to common stockholders from net investment income	(11,190)	(10,566)
Total distributions to common stockholders	(11,190)	(10,566)
<b>CAPITAL TRANSACTIONS</b>		
Issuance of common stock	6,928	17,344
Discounts, commissions and offering costs for issuance of common stock	(127)	(887)
Net increase in net assets resulting from capital transactions	6,801	16,457
<b>NET INCREASE IN NET ASSETS</b>	<b>12,075</b>	<b>11,463</b>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<b>219,650</b>	<b>201,207</b>
<b>NET ASSETS, END OF PERIOD</b>	<b>\$ 231,725</b>	<b>\$ 212,670</b>

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended March 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations	\$ 16,464	\$ 5,572
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	(76,377)	(59,658)
Principal repayments on investments	32,740	56,755
Net proceeds from sale of investments	1,301	8,311
Increase in investments due to paid-in-kind interest or other	(2,338)	(2,289)
Net change in premiums, discounts and amortization	(97)	373
Net realized (gain) loss on investments	(831)	3,403
Net unrealized (appreciation) depreciation of investments	(4,394)	1,702
Net unrealized appreciation of other	(115)	(111)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	72	96
Amortization of deferred financing fees	540	547
(Increase) decrease in interest receivable, net	(508)	267
(Increase) decrease in due from custodian	(214)	16
Decrease (increase) in other assets, net	1,932	(3,509)
Decrease in accounts payable and accrued expenses	(215)	(564)
Increase (decrease) in interest payable	122	(27)
Decrease in fees due to Adviser <sup>(A)</sup>	(285)	(1,013)
Increase in fee due to Administrator <sup>(A)</sup>	68	4
(Decrease) increase in other liabilities	(163)	371
Net cash (used in) provided by operating activities	(32,298)	10,246
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	87,400	70,300
Repayments on borrowings	(52,600)	(87,500)
Deferred financing fees	(1,329)	(75)
Proceeds from issuance of common stock	6,928	17,344
Discounts, commissions and offering costs for issuance of common stock	(104)	(887)
Distributions paid to common stockholders	(11,190)	(10,566)
Net cash provided by (used in) financing activities	29,105	(11,384)

<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,193)</b>	(1,138)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>5,012</b>	6,152
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 1,819</b>	<b>\$ 5,014</b>

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**MARCH 31, 2018**

**(DOLLAR AMOUNTS IN THOUSANDS)**

**(UNAUDITED)**

Company and Investment <sup>(A)(B)(W)(Y)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(M)</sup></b>	<b>145.1%</b>		
<b>Secured First Lien Debt</b>	<b>73.6%</b>		
<b>Automobile</b>	<b>1.5%</b>		
Meridian Rack & Pinion, Inc. <sup>(S)</sup> Term Debt (L + 11.5%, 13.5% Cash, Due 4/2019) <sup>(C)</sup>	\$ 4,140	\$ 4,140	\$ 3,436
<b>Beverage, Food, and Tobacco</b>	<b>2.8%</b>		
Triple H Food Processors, LLC Line of Credit, \$1,500 available (L + 6.8%, 8.6% Cash, Due 8/2018) <sup>(C)</sup>			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 10.1% Cash, Due 8/2020) <sup>(C)</sup>	6,400	6,400	6,480
		<b>6,400</b>	<b>6,480</b>
<b>Buildings and Real Estate</b>	<b>0.9%</b>		
GFRC Holdings, LLC Line of Credit, \$50 available (L + 8.0%, 9.9% Cash, Due 9/2018) <sup>(E)</sup>	1,150	1,150	1,150
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 9/2018) <sup>(F)</sup>	1,000	1,000	1,000
		<b>2,150</b>	<b>2,150</b>
<b>Diversified/Conglomerate Service</b>	<b>19.3%</b>		
IA Tech, LLC Term Debt (L + 11.0%, 12.9% Cash, Due 6/2021) <sup>(G)</sup>	23,000	23,000	23,805
Travel Sentry, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 12/2021) <sup>(U)</sup>	8,902	8,902	9,247
Vision Government Solutions, Inc. Line of Credit, \$0 available (L + 8.8%, 10.6% Cash, Due 1/2019) <sup>(C)</sup>	1,450	1,450	1,424
Vision Government Solutions, Inc. Delayed Draw Term Loan, \$900 available (10.0% Cash, Due 1/2019) <sup>(C)(F)</sup>	1,600	1,600	1,519
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.6% Cash, Due 1/2019) <sup>(C)</sup>	9,000	9,000	8,601
		<b>43,952</b>	<b>44,596</b>
<b>Healthcare, education, and childcare</b>	<b>7.8%</b>		
EL Academies, Inc. Line of Credit, \$2,000 available (L + 9.5%, 11.4% Cash, Due 8/2020) <sup>(C)</sup>			

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EL Academies, Inc. Delayed Draw Term Loan, \$8,560 available (L + 9.5%, 11.4% Cash, Due 8/2022) <sup>(C)</sup>	1,440	1,440	1,447
EL Academies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2022) <sup>(F)</sup>	12,000	12,000	12,060
TWS Acquisition Corporation Term Debt (L + 8.0%, 9.9% Cash, Due 7/2020) <sup>(C)</sup>	4,500	4,500	4,635
		<b>17,940</b>	<b>18,142</b>
<b>Machinery 2.9%</b>			
Arc Drilling Holdings LLC Line of Credit, \$1,000 available (L + 8.0%, 9.9% Cash, Due 11/2020) <sup>(C)</sup>			
Arc Drilling Holdings LLC Term Debt (L + 9.5%, 11.4% Cash, 1.0% PIK, Due 11/2022) <sup>(C)</sup>	5,880	5,880	5,865
Precision International, LLC Term Debt (10.0%, Due 9/2021) <sup>(F)</sup>	836	836	832
		<b>6,716</b>	<b>6,697</b>
<b>Oil and Gas 17.3%</b>			
Impact! Chemical Technologies, Inc. Line of Credit, \$0 available (L + 8.8%, 10.6% Cash, Due 12/2020) <sup>(C)</sup>	2,500	2,500	2,497
Impact! Chemical Technologies, Inc. Term Debt (L + 8.8%, 10.8% Cash, Due 12/2020) <sup>(C)</sup>	20,000	20,000	19,975
WadeCo Specialties, Inc. Line of Credit, \$2,425 available (L + 7.0%, 8.9% Cash, Due 4/2018) <sup>(C)</sup>	575	575	582
WadeCo Specialties, Inc. Term Debt (L + 7.0% 8.9% Cash, Due 3/2019) <sup>(F)</sup>	9,941	9,941	10,078
WadeCo Specialties, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019) <sup>(C)</sup>	7,000	7,000	7,061
		<b>40,016</b>	<b>40,193</b>
<b>Printing and Publishing 0.0%</b>			
Chinese Yellow Pages Company Line of Credit, \$0 available (PRIME + 4.0%, 8.8% Cash, Due 2/2015) <sup>(E)(V)</sup>	107	<b>107</b>	
<b>Telecommunications 21.1%</b>			
Applied Voice & Speech Technologies, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022) <sup>(C)</sup>	10,725	10,725	10,712
B+T Group Acquisition, Inc. <sup>(S)</sup> Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019) <sup>(C)</sup>	6,000	6,000	5,970
NetFortris Corp. Term Debt (L + 9.5%, 11.4% Cash, Due 2/2021) <sup>(F)</sup>	23,819	23,819	24,384
XMedius Solutions Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 10/2022) <sup>(I)</sup>	7,898	7,898	7,898
		<b>48,442</b>	<b>48,964</b>
<b>Total Secured First Lien Debt</b>		<b>\$ 169,863</b>	<b>\$ 170,658</b>

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



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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**MARCH 31, 2018**

**(DOLLAR AMOUNTS IN THOUSANDS)**

**(UNAUDITED)**

Company and Investment <sup>(A)(B)(W)(Y)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>Secured Second Lien Debt 65.0%</b>			
<b>Automobile 2.2%</b>			
Sea Link International IRB, Inc. Term Debt (11.3% Cash, Due 3/2023) <sup>(C)(F)</sup>	\$ 5,000	\$ 4,977	\$ 5,044
<b>Beverage, Food, and Tobacco 2.9%</b>			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 12.4% Cash, Due 1/2021) <sup>(C)</sup>	6,750	6,750	6,784
<b>Cargo Transportation 5.7%</b>			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020) <sup>(C)</sup>	13,000	13,000	13,130
<b>Chemicals, Plastics, and Rubber 0.5%</b>			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.9% Cash, Due 10/2021) <sup>(C)</sup>	1,099	1,099	1,093
<b>Diversified/Conglomerate Manufacturing 8.4%</b>			
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021) <sup>(C)(H)</sup>	5,235	5,235	3,926
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (L + 11.5%, 13.5% Cash, Due 4/2021) <sup>(C)(H)</sup>	75	75	56
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (Due 4/2021) <sup>(P)</sup>	390	390	294
United Flexible, Inc. Term Debt (L + 9.3%, 11.1% Cash, Due 2/2022) <sup>(F)</sup>	15,300	15,223	15,300
		<b>20,923</b>	<b>19,576</b>
<b>Diversified/Conglomerate Service 20.9%</b>			
DigiCert Holdings, Inc. Term Debt (L + 8.0%, 10.3% Cash, Due 10/2025) <sup>(D)(U)</sup>	3,000	2,976	3,038
Gray Matter Systems, LLC Delayed Draw Term Loan, \$2,000 available (12.0% Cash, Due 11/2023) <sup>(C)(F)</sup>			
Gray Matter Systems, LLC Term Debt (12.0% Cash, Due 11/2023) <sup>(F)</sup>	11,100	11,100	11,072
Keystone Acquisition Corp. Term Debt (L + 9.3%, 11.6% Cash, Due 5/2025) <sup>(D)(U)</sup>	4,000	3,925	4,020
LDiscovery, LLC Term Debt (L + 10.0%, 11.9% Cash, Due 12/2023) <sup>(P)</sup>	5,000	4,825	4,100
Red Ventures, LLC Term Debt (L + 8.0%, 9.9% Cash, Due 11/2025) <sup>(P)</sup>	3,625	3,566	3,688



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TapRoot Partners, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 10/2022) <sup>(C)</sup>	22,000	22,000	22,440
		<b>48,392</b>	<b>48,358</b>
<b>Healthcare, education, and childcare 8.2%</b>			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 10.1% Cash, Due 6/2025) <sup>(D)</sup>	3,000	2,958	2,993
Merlin International, Inc. Term Debt (L + 10.0%, 11.9% Cash, Due 8/2022) <sup>(C)</sup>	10,000	10,000	10,313
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 10/2023) <sup>(D)</sup>	3,660	3,612	3,660
New Trident Holdcorp, Inc. Term Debt (L + 10.0%, 12.3% PIK, Due 7/2020) <sup>(E)(U)</sup>	4,231	4,231	2,077
		<b>20,801</b>	<b>19,043</b>
<b>Home and Office Furnishings, Housewares and Durable Consumer Products 4.4%</b>			
Belnick, Inc. Term Debt (11.0% Cash, Due 8/2023) <sup>(F)</sup>	10,000	<b>10,000</b>	<b>10,188</b>
<b>Hotels, Motels, Inns, and Gaming 2.9%</b>			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.9% Cash, 3.0% PIK, Due 6/2023) <sup>(C)</sup>	7,254	<b>7,254</b>	<b>6,655</b>
<b>Oil and Gas 7.2%</b>			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 12.2% PIK, Due 4/2020) <sup>(C)</sup>	17,763	17,657	11,547
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3%, 11.1% PIK, Due 4/2020) <sup>(C)</sup>	8,161	8,111	5,305
		<b>25,768</b>	<b>16,852</b>
<b>Personal and Non-Durable Consumer Products (Manufacturing Only) 1.7%</b>			
Canopy Safety Brands, LLC Term Debt (L + 10.5%, 12.4% Cash, Due 7/2022) <sup>(C)</sup>	4,000	4,000	4,010
<b>Total Secured Second Lien Debt</b>		<b>\$ 162,964</b>	<b>\$ 150,733</b>
<b>Unsecured Debt 1.5%</b>			
<b>Healthcare, education, and childcare 1.5%</b>			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020) <sup>(C)(F)</sup>	\$ 3,438	\$ 3,438	\$ 3,459
<b>Preferred Equity 1.7%</b>			
<b>Automobile 0.1%</b>			
Meridian Rack & Pinion, Inc. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	1,449	\$ 1,449	\$ 344
<b>Buildings and Real Estate 0.1%</b>			
GFRC Holdings, LLC Preferred Stock <sup>(E)(G)</sup>	1,000	<b>1,025</b>	<b>320</b>

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



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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**MARCH 31, 2018**

**(DOLLAR AMOUNTS IN THOUSANDS)**

**(UNAUDITED)**

Company and Investment <sup>(A)(B)(W)(Y)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>Diversified/Conglomerate Manufacturing 0.3%</b>			
Alloy Die Casting Co. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	2,192	2,192	
United Flexible, Inc. Preferred Stock <sup>(E)(G)</sup>	538	538	674
		<b>2,730</b>	<b>674</b>
<b>Diversified/Conglomerate Service 0.0%</b>			
Frontier Financial Group Inc. Preferred Stock <sup>(E)(G)</sup>	766	500	96
Frontier Financial Group Inc. Preferred Stock Warrant <sup>(E)(G)</sup>	168		
		<b>500</b>	<b>96</b>
<b>Oil and Gas 1.0%</b>			
Francis Drilling Fluids, Ltd. Preferred Equity Unit <sup>(E)(G)</sup>	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock <sup>(E)(G)</sup>	1,000	618	2,231
		<b>1,833</b>	<b>2,231</b>
<b>Telecommunications 0.2%</b>			
B+T Group Acquisition, Inc. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	5,503	1,799	
NetFortris Corp. Preferred Stock <sup>(E)(G)</sup>	1,250,000	125	375
		<b>1,924</b>	<b>375</b>
<b>Total Preferred Equity</b>		<b>\$ 9,461</b>	<b>\$ 4,040</b>
<b>Common Equity 3.2%</b>			
<b>Aerospace and Defense 0.3%</b>			
FedCap Partners, LLC Class A Membership Units (\$0 Uncalled Commitment) <sup>(G)(K)(R)</sup>	80	\$ 1,634	\$ 751
<b>Automobile 0.2%</b>			
Sea Link International IRB, Inc. Common Equity Unit <sup>(E)(G)</sup>	494,902	495	485
<b>Beverage, Food, and Tobacco 0.2%</b>			
The Mochi Ice Cream Company Common Stock <sup>(E)(G)</sup>	450	450	
Triple H Food Processors, LLC Common Stock <sup>(E)(G)</sup>	250,000	250	472

			<b>700</b>	<b>472</b>
<b>Buildings and Real Estate 0.0%</b>				
GFRC Holdings, LLC	Common Stock Warrant <sup>(E)(G)</sup>	45.0%		
<b>Cargo Transportation 0.3%</b>				
AG Transportation Holdings, LLC	Member Profit Participation <sup>(E)(G)</sup>	18.0%	1,000	478
AG Transportation Holdings, LLC	Profit Participation Warrant <sup>(E)(G)</sup>	12.0%	244	140
			<b>1,244</b>	<b>618</b>
<b>Chemicals, Plastics, and Rubber 0.2%</b>				
Vertellus Holdings LLC	Common Stock Unit <sup>(E)(G)</sup>	879,121	<b>3,017</b>	<b>569</b>
<b>Diversified/Conglomerate Manufacturing 0.1%</b>				
Alloy Die Casting Co. <sup>(S)</sup>	Common Stock <sup>(E)(G)</sup>	270	18	
United Flexible, Inc.	Common Stock <sup>(E)(G)</sup>	1,158	148	262
			<b>166</b>	<b>262</b>
<b>Healthcare, education, and childcare 1.1%</b>				
Edmentum Ultimate Holdings, LLC	Common Stock <sup>(E)(G)</sup>	21,429	2,636	
EL Academies, Inc.	Common Stock <sup>(E)(G)</sup>	500	520	428
Leeds Novamark Capital I, L.P.	Limited Partnership Interest (\$986 uncalled capital commitment) <sup>(G)(L)(R)</sup>	3.5%	2,010	2,193
			<b>5,166</b>	<b>2,621</b>
<b>Machinery 0.5%</b>				
Arc Drilling Holdings LLC	Common Stock <sup>(E)(G)</sup>	16.7%	1,500	839
Precision International, LLC	Membership Unit Warrant <sup>(E)(G)</sup>	33.3%		119
			<b>1,500</b>	<b>958</b>
<b>Oil and Gas 0.1%</b>				
Francis Drilling Fluids, Ltd.	Common Equity Unit <sup>(E)(G)</sup>	1,656	1	
W3, Co.	Common Equity <sup>(P)(G)</sup>	435	499	131
			<b>500</b>	<b>131</b>
<b>Personal and Non-Durable Consumer Products (Manufacturing Only) 0.2%</b>				
Canopy Safety Brands, LLC	Participation Warrant <sup>(E)(G)</sup>	1	500	284
Funko Acquisition Holdings, LLC <sup>(S)</sup>	Common Unit <sup>(G)(T)</sup>	67,873	167	194
			<b>667</b>	<b>478</b>
<b>Telecommunications 0.0%</b>				
NetFortris Corp.	Common Stock Warrant <sup>(E)(G)</sup>	1	1	
<b>Total Common Equity</b>			<b>\$ 15,090</b>	<b>\$ 7,345</b>
<b>Total Non-Control/Non-Affiliate Investments</b>			<b>\$ 360,816</b>	<b>\$ 336,235</b>

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## GLADSTONE CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment <sup>(A)(B)(W)(Y)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>AFFILIATE INVESTMENTS<sup>(N)</sup> 21.4%</b>			
<b>Secured First Lien Debt 8.4%</b>			
<b>Diversified/Conglomerate Manufacturing 8.4%</b>			
Edge Adhesives Holdings, Inc. <sup>(S)</sup> Term Debt (L + 10.5%, 12.5% Cash, Due 2/2019) <sup>(C)</sup>	\$ 6,200	\$ 6,200	\$ 5,828
Edge Adhesives Holdings, Inc. <sup>(S)</sup> Term Debt (L + 11.8%, 13.8% Cash, Due 2/2019) <sup>(C)</sup>	1,600	1,600	1,512
LWO Acquisitions Company LLC Line of Credit, \$0 available (L + 5.5%. 7.4% Cash, 2.0% PIK, Due 12/2019) <sup>(C)</sup>	2,776	2,776	2,665
LWO Acquisitions Company LLC Term Debt (L + 8.5%, 10.4% Cash, 2.0% PIK, Due 12/2019) <sup>(C)</sup>	11,053	11,053	9,480
		<b>21,629</b>	<b>19,485</b>
<b>Total Secured First Lien Debt</b>		<b>\$ 21,629</b>	<b>\$ 19,485</b>
<b>Secured Second Lien Debt 9.2%</b>			
<b>Diversified Natural Resources, Precious Metals and Minerals 9.2%</b>			
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) <sup>(S)</sup>	\$ 6,000	\$ 6,000	\$ 5,985
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) <sup>(S)</sup>	8,000	8,000	7,980
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) <sup>(S)</sup>	3,300	3,300	3,292
Lignetics, Inc. Term Debt (L + 9.0%, 12.0% Cash, Due 11/2022) <sup>(S)</sup>	4,000	4,000	3,990
		<b>21,300</b>	<b>21,247</b>
<b>Total Secured Second Lien Debt</b>		<b>\$ 21,300</b>	<b>\$ 21,247</b>
<b>Unsecured Debt 0.0%</b>			
<b>Diversified/Conglomerate Manufacturing 0.0%</b>			
LWO Acquisitions Company LLC Term Debt (Due 6/2020) <sup>(C)(P)</sup>	\$ 95	\$ 95	\$ 81
<b>Preferred Equity 0.9%</b>			
<b>Diversified/Conglomerate Manufacturing 0.5%</b>			
Edge Adhesives Holdings, Inc. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	2,516	\$ 2,516	\$ 1,283

<b>Diversified Natural Resources, Precious Metals and Minerals 0.4%</b>			
Lignetics, Inc. Preferred Stock <sup>(E)(G)</sup>	40,000	800	852
<b>Total Preferred Equity</b>		<b>\$ 3,316</b>	<b>\$ 2,135</b>
<b>Common Equity 2.9%</b>			
<b>Diversified/Conglomerate Manufacturing 0.0%</b>			
LWO Acquisitions Company LLC Common Unit <sup>(E)(G)</sup>	921,000	\$ 921	\$
<b>Diversified Natural Resources, Precious Metals and Minerals 0.5%</b>			
Lignetics, Inc. Common Stock <sup>(E)(G)</sup>	152,603	1,855	1,059
<b>Textiles and Leather 2.4%</b>			
Targus Cayman HoldCo, Ltd. Common Stock <sup>(E)(G)</sup>	3,076,414	5,009	5,563
<b>Total Common Equity</b>		<b>\$ 7,785</b>	<b>\$ 6,622</b>
<b>Total Affiliate Investments</b>		<b>\$ 54,125</b>	<b>\$ 49,570</b>
<b>CONTROL INVESTMENTS<sup>(O)</sup> 7.0%</b>			
<b>Secured First Lien Debt 2.4%</b>			
<b>Machinery 1.4%</b>			
PIC 360, LLC Term Debt (14.0%, Due 9/2019) <sup>(F)</sup>	\$ 3,250	\$ 3,250	\$ 3,250
<b>Printing and Publishing 1.0%</b>			
Sunshine Media Holdings Line of Credit, \$672 available (8.0% Cash, Due 5/2018) <sup>(E)(F)</sup>	1,328	1,328	1,328
Sunshine Media Holdings Term Debt (8.0% Cash, Due 5/2018) <sup>(F)(H)</sup>	5,000	3,525	316
Sunshine Media Holdings Term Debt (L + 3.8%, 5.6% Cash, Due 5/2018) <sup>(E)(H)</sup>	11,948	8,401	756
Sunshine Media Holdings Term Debt (L + 4.0%, 5.9% Cash, Due 5/2018) <sup>(E)(H)</sup>	10,700	10,700	
		<b>23,954</b>	<b>2,400</b>
<b>Total Secured First Lien Debt</b>		<b>\$ 27,204</b>	<b>\$ 5,650</b>
<b>Secured Second Lien Debt 3.5%</b>			
<b>Automobile 3.5%</b>			
Defiance Integrated Technologies, Inc. Term Debt (L + 9.5%, 11.4% Cash, Due 8/2023) <sup>(E)</sup>	\$ 8,065	\$ 8,065	\$ 8,065

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## GLADSTONE CAPITAL CORPORATION

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment <sup>(A)(B)(W)(Y)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>Preferred Equity 0.0%</b>			
<b>Printing and Publishing 0.0%</b>			
Sunshine Media Holdings Preferred Stock <sup>(E)(G)</sup>	15,270	\$ 5,275	\$
<b>Common Equity 1.1%</b>			
<b>Automobile 0.8%</b>			
Defiance Integrated Technologies, Inc. Common Stock <sup>(E)(G)</sup>	33,321	\$ 580	\$ 1,739
<b>Machinery 0.3%</b>			
PIC 360, LLC Common Equity Unit <sup>(E)(G)</sup>	75	1	879
<b>Printing and Publishing 0.0%</b>			
Sunshine Media Holdings Common Stock <sup>(E)(G)</sup>	1,867	740	
Sunshine Media Holdings Common Stock Warrant <sup>(E)(G)</sup>	72		
		740	
<b>Total Common Equity</b>		\$ 1,321	\$ 2,618
<b>Total Control Investments</b>		\$ 41,865	\$ 16,333
<b>TOTAL INVESTMENTS 173.5%</b>		\$ 456,806	\$ 402,138

(A) Certain of the securities listed in this schedule are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$354.9 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Under the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2018, our investments in FedCap Partners, LLC ( FedCap ), Leeds Novamark Capital I, L.P. ( Leeds ), Funko Acquisition Holdings, LLC ( Funko ), and XMedius Solutions Inc. ( XMedius ) are considered non-qualifying assets under Section 55 of the 1940 Act. Such non-qualifying assets represent 2.7% of total investments, at fair value, as of March 31, 2018.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate ( LIBOR or L ), which was 1.88% as of March 31, 2018. If applicable, paid-in-kind ( PIK ) interest rates are noted separately



from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

- (C) Fair value was based on an internal yield analysis or on estimates of value submitted by ICE Data Pricing and Reference Data, LLC ( ICE ) (formerly Standard and Poor's Securities Evaluations, Inc.).
- (D) Fair value was based on the indicative bid price on or near March 31, 2018, offered by the respective syndication agent's trading desk.
- (E) Fair value was based on the total enterprise value of the portfolio company, which was then allocated to the portfolio company's securities in order of their relative priority in the capital structure.
- (F) Debt security has a fixed interest rate.
- (G) Security is non-income producing.
- (H) Debt security is on non-accrual status.
- (I) New investment valued at cost, as it was determined that the price paid during the quarter ended March 31, 2018 best represents fair value as of March 31, 2018.
- (J) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (K) There are certain limitations on our ability to transfer our units owned, withdraw or resign prior to dissolution of the entity, which must occur no later than May 3, 2020.
- (L) There are certain limitations on our ability to withdraw our partnership interest prior to dissolution of the entity, which must occur no later than May 9, 2024 or two years after all outstanding leverage has matured.
- (M) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (N) Affiliate investments, as defined by the 1940 Act, are those in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (O) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (P) Debt security does not have a stated interest rate that is payable thereon.
- (Q) Reserved.
- (R) Fair value was based on net asset value provided by the fund as a practical expedient.
- (S) One of our affiliated funds, Gladstone Investment Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (T) Our investment in Funko was valued using Level 2 inputs within the FASB Accounting Standard Codification ( ASC ) Topic 820, Fair Value Measurements and Disclosures ( ASC 820 ) fair value hierarchy. Our common units in Funko are convertible to class A common stock in Funko, Inc. upon the expiration of a lock-up agreement and meeting other requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Stock Market under the trading symbol FNKO. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (U) The cash interest rate on this investment was indexed to 90-day LIBOR, which was 2.31% as of March 31, 2018.
- (V) The cash interest rate on this investment was indexed to the U.S. Prime Rate ( PRIME ), which was 4.75% as of March 31, 2018.
- (W) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (X) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
- (Y) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2018.

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**SEPTEMBER 30, 2017**

**(DOLLAR AMOUNTS IN THOUSANDS)**

Company and Investment <sup>(A)(B)(W)(Z)</sup>	Principal/ Shares/ Units <sup>(J)(X)</sup>	Cost	Fair Value
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS<sup>(M)</sup> 132.4%</b>			
<b>Secured First Lien Debt 67.2%</b>			
<b>Automobile 1.7%</b>			
Meridian Rack & Pinion, Inc. <sup>(S)</sup> Term Debt (L + 11.5% 13.5% Cash, Due 12/2018) <sup>(C)</sup>	\$ 4,140	\$ 4,140	\$ 3,643
<b>Beverage, Food, and Tobacco 3.2%</b>			
Triple H Food Processors, LLC Line of Credit, \$1,500 available (L + 6.8%, 8.0% Cash, Due 8/2018) <sup>(C)</sup>			
Triple H Food Processors, LLC Term Debt (L + 8.3%, 9.5% Cash, Due 8/2020) <sup>(C)</sup>	6,800	6,800	6,928
		<b>6,800</b>	<b>6,928</b>
<b>Buildings and Real Estate 1.0%</b>			
GFRC Holdings, LLC Line of Credit, \$20 available (L + 8.0%, 9.2% Cash, Due 9/2018) <sup>(E)</sup>	1,180	1,180	1,180
GFRC Holdings, LLC Term Debt (L + 8.0%, 9.2% Cash, Due 9/2018) <sup>(F)</sup>	1,000	1,000	1,000
		<b>2,180</b>	<b>2,180</b>
<b>Diversified/Conglomerate Service 20.1%</b>			
IA Tech, LLC Term Debt (L + 11.0%, 12.2% Cash, Due 6/2021) <sup>(J)</sup>	23,000	23,000	23,633
Travel Sentry, Inc. Term Debt (L + 9.0%, 10.3% Cash, Due 12/2021) <sup>(C)(U)</sup>	8,902	8,902	9,170
Vision Government Solutions, Inc. Line of Credit, \$0 available (L + 8.8%, 10.0% Cash, Due 1/2019) <sup>(C)</sup>	1,450	1,450	1,420
Vision Government Solutions, Inc. Delayed Draw Term Loan, \$900 available (10.0% Cash, Due 1/2019) <sup>(C)(F)</sup>	1,600	1,600	1,485
Vision Government Solutions, Inc. Term Debt (L + 8.8%, 10.0% Cash, Due 1/2019) <sup>(C)</sup>	9,000	9,000	8,390
		<b>43,952</b>	<b>44,098</b>
<b>Diversified/Conglomerate Manufacturing 1.6%</b>			
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018) <sup>(C)(H)</sup>	5,235	5,235	3,272
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (L + 11.5%, 13.5% Cash, Due 10/2018) <sup>(C)(H)</sup>	75	75	47
Alloy Die Casting Co. <sup>(S)</sup> Term Debt (Due 10/2018) <sup>(P)</sup>	390	390	246

		<b>5,700</b>	<b>3,565</b>
<b>Healthcare, education, and childcare 9.8%</b>			
EL Academies, Inc.	Line of Credit (L + 9.5%, 10.7% Cash, Due 8/2020 <sup>H</sup> )		
EL Academies, Inc.	Delayed Draw Term Loan (L + 9.5%, 10.7% Cash, Due 8/2022) <sup>(I)</sup>		
EL Academies, Inc.	Term Debt (L + 9.5%, 10.7% Cash, Due 8/2022 <sup>H</sup> )	12,000	12,000
TWS Acquisition Corporation	Term Debt (L + 8.0%, 9.2% Cash, Due 7/2020) <sup>(C)</sup>	9,432	9,609
		<b>21,432</b>	<b>21,609</b>
<b>Leisure, Amusement, Motion Pictures, Entertainment 3.6%</b>			
Flight Fit N Fun LLC	Term Debt (L + 14.0%, 15.2% Cash, Due 9/2020 <sup>(Q)</sup> <sup>(Y)</sup> )	7,800	7,800
<b>Machinery 0.4%</b>			
Precision International, LLC	Term Debt (10.0% PIK, Due 9/2021 <sup>(G)</sup> <sup>(F)</sup> )	808	798
<b>Oil and Gas 9.2%</b>			
WadeCo Specialties, Inc.	Line of Credit, \$425 available (L + 7.0%, 8.2% Cash, Due 4/2018) <sup>(E)</sup>	2,575	2,575
WadeCo Specialties, Inc.	Term Debt (L + 7.0%, 8.2% Cash, Due 3/2019 <sup>(F)</sup> )	10,441	10,440
WadeCo Specialties, Inc.	Term Debt (L + 9.0%, 12.0% Cash, Due 3/2019 <sup>(F)</sup> )	7,000	7,000
		<b>20,002</b>	<b>20,015</b>
<b>Personal and Non-Durable Consumer Products (Manufacturing Only) 3.0%</b>			
Canopy Safety Brands, LLC	Line of Credit, \$500 available (L + 6.5%, 7.7% Cash, Due 9/2019) <sup>(C)</sup>		
Canopy Safety Brands, LLC	Term Debt (L + 9.5%, 10.7% Cash, Due 9/2021) <sup>(C)</sup>	6,600	6,616
		<b>6,600</b>	<b>6,616</b>
<b>Printing and Publishing 0.0%</b>			
Chinese Yellow Pages Company	Line of Credit, \$0 available (PRIME + 4.0%, 8.0% Cash, Due 2/2015) <sup>(E)</sup> <sup>(V)</sup>	107	107
<b>Telecommunications 13.6%</b>			
B+T Group Acquisition, Inc. <sup>(S)</sup>	Term Debt (L + 11.0%, 13.0% Cash, Due 12/2019) <sup>(C)</sup>	6,000	5,955
NetFortris Corp.	Line of Credit, \$2,000 available (L + 8.4%, 9.6% Cash, Due 11/2017) <sup>(C)</sup>		
NetFortris Corp.	Term Debt (L + 8.4%, 9.6% Cash, Due 2/2021 <sup>(G)</sup> )	24,000	24,240
		<b>30,000</b>	<b>30,195</b>
<b>Total Secured First Lien Debt</b>		<b>\$ 149,521</b>	<b>\$ 147,447</b>

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**SEPTEMBER 30, 2017**

**(DOLLAR AMOUNTS IN THOUSANDS)**

<b>Company and Investment<sup>(A)(B)(W)(Z)</sup></b>	<b>Principal/ Shares/ Units<sup>(J)(X)</sup></b>	<b>Cost</b>	<b>Fair Value</b>
<b>Secured Second Lien Debt 59.1%</b>			
<b>Automobile 2.2%</b>			
Sea Link International IRB, Inc. Term Debt (11.3%, Due 11/2021 <sup>(F)</sup> )	\$ 5,000	\$ 4,975	\$ 5,025
<b>Beverage, Food, and Tobacco 3.1%</b>			
The Mochi Ice Cream Company Term Debt (L + 10.5%, 11.7% Cash, Due 1/2021) <sup>(C)</sup>	6,750	6,750	6,809
<b>Cargo Transportation 6.0%</b>			
AG Transportation Holdings, LLC. Term Debt (L + 10.0%, 13.3% Cash, Due 3/2020) <sup>(C)</sup>	13,000	13,000	13,081
<b>Chemicals, Plastics, and Rubber 0.4%</b>			
Vertellus Holdings LLC Term Debt (L + 12.0%, 13.2% Cash, Due 10/2021) <sup>(D)</sup>	1,099	1,099	929
<b>Diversified/Conglomerate Service 16.4%</b>			
DataPipe, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 9/2019 <sup>(P)</sup> ) <sup>(Y)</sup>	2,000	1,966	2,005
HB Capital Resources, Ltd. Term Debt (L + 10.3%, 11.5% Cash, Due 10/2022) <sup>(C)</sup>	22,000	22,000	22,110
Keystone Acquisition Corp. Term Debt (L + 9.3%, 10.5% Cash, Due 5/2025) <sup>(D)</sup>	4,000	3,922	3,960
LDiscovery, LLC Term Debt (L + 10.0%, 11.2% Cash, Due 12/2023 <sup>(P)</sup> )	5,000	4,815	4,550
PSC Industrial Holdings Corp. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2021) <sup>(Q)(Y)</sup>	3,500	3,452	3,500
		<b>36,155</b>	<b>36,125</b>
<b>Diversified/Conglomerate Manufacturing 8.2%</b>			
United Flexible, Inc. Term Debt (L + 9.5%, 10.7% Cash, 2.0% PIK, Due 2/2022) <sup>(C)</sup>	17,993	17,909	17,903
<b>Healthcare, education, and childcare 8.8%</b>			
Medical Solutions Holdings, Inc. Term Debt (L + 8.3%, 9.5% Cash, Due 12/2023) <sup>(D)</sup>	3,000	2,956	2,970
Merlin International, Inc. Term Debt (L + 10.0%, 11.2% Cash, Due 8/2022) <sup>(C)</sup>	10,000	10,000	10,150
NetSmart Technologies, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 10/2023) <sup>(D)</sup>	3,660	3,609	3,678
New Trident Holdcorp, Inc. Term Debt (L + 9.5%, 10.7% Cash, Due 7/2020) <sup>(D)</sup>	4,000	4,000	2,412

		20,565	19,210
<b>Home and Office Furnishings, Housewares and Durable Consumer Products 4.6%</b>			
Belnick, Inc. Term Debt (11.0%, Due 8/2023) <sup>(F)</sup>	10,000	10,000	10,100
<b>Hotels, Motels, Inns, and Gaming 3.2%</b>			
Vacation Rental Pros Property Management, LLC Term Debt (L + 10.0%, 11.2% Cash, 3.0% PIK, Due 6/2023) <sup>(C)</sup>	7,145	7,145	7,136
<b>Oil and Gas 5.7%</b>			
Francis Drilling Fluids, Ltd. Term Debt (L + 10.4%, 11.9% PIK, Due 4/2020) <sup>(C)</sup>	16,739	16,611	8,626
Francis Drilling Fluids, Ltd. Term Debt (L + 9.3% 10.8% PIK, Due 4/2020) <sup>(C)</sup>	7,733	7,673	3,931
		24,284	12,557
<b>Telecommunications 0.5%</b>			
Neustar, Inc. Term Debt (L + 8.0%, 9.2% Cash, Due 8/2025) <sup>(P)</sup>	1,000	1,000	1,015
<b>Total Secured Second Lien Debt</b>		<b>\$ 142,882</b>	<b>\$ 129,890</b>
<b>Unsecured Debt 1.5%</b>			
<b>Healthcare, education, and childcare 1.5%</b>			
Edmentum Ultimate Holdings, LLC Term Debt (10.0% PIK, Due 6/2020) <sup>(C)(F)</sup>	\$ 3,324	\$ 3,324	\$ 3,324
<b>Preferred Equity 2.6%</b>			
<b>Automobile 0.1%</b>			
Meridian Rack & Pinion, Inc. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	1,449	\$ 1,449	\$ 133
<b>Buildings and Real Estate 0.3%</b>			
GFRC Holdings, LLC Preferred Stock <sup>(E)(G)</sup>	1,000	1,025	824
<b>Diversified/Conglomerate Service 0.2%</b>			
Frontier Financial Group Inc. Preferred Stock <sup>(E)(G)</sup>	766	500	500
Frontier Financial Group Inc. Preferred Stock Warrant <sup>(E)(G)</sup>	168		
		500	500
<b>Diversified/Conglomerate Manufacturing 0.3%</b>			
Alloy Die Casting Co. <sup>(S)</sup> Preferred Stock <sup>(E)(G)</sup>	2,192	2,192	
United Flexible, Inc. Preferred Stock <sup>(E)(G)</sup>	538	538	554
		2,730	554
<b>Leisure, Amusement, Motion Pictures, Entertainment 0.6%</b>			
Flight Fit N Fun LLC Preferred Stock <sup>(G)(Q)(Y)</sup>	700,000	700	1,425

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**GLADSTONE CAPITAL CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**SEPTEMBER 30, 2017**

**(DOLLAR AMOUNTS IN THOUSANDS)**

<b>Company and Investment<sup>(A)(B)(W)(Z)</sup></b>	<b>Principal/ Shares/ Units<sup>(J)(X)</sup></b>	<b>Cost</b>	<b>Fair Value</b>
<b>Oil and Gas 0.9%</b>			
Francis Drilling Fluids, Ltd. Preferred Equity Unit <sup>(E)(G)</sup>	1,656	1,215	
WadeCo Specialties, Inc. Preferred Stock <sup>(E)(G)</sup>	1,000	618	2,000
		<b>1,833</b>	<b>2,000</b>
<b>Personal and Non-Durable Consumer Products (Manufacturing Only)</b>			
<b>0.1%</b>			
Funko Acquisition Holdings, LLC <sup>(S)</sup> Preferred Equity Unit <sup>(E)(G)</sup>	260	167	159
<b>Telecommunications 0.1%</b>			
B+T Group Acquisition, Inc. <sup>(S)</sup> Preferred Stock <sup>(E)(G)(J)</sup>	5,503	1,799	140
<b>Total Preferred Equity</b>		<b>\$ 10,203</b>	<b>\$ 5,735</b>
<b>Common Equity 2.0%</b>			
<b>Aerospace and Defense 0.3%</b>			
FedCap Partners, LLC Class A Membership Units (\$0 Uncalled Commitment) <sup>(G)(K)(R)</sup>	80	\$ 1,634	\$ 751
<b>Automobile 0.2%</b>			
Sea Link International IRB, Inc. Common Equity Unit <sup>(E)(G)</sup>	494,902	495	362
<b>Beverage, Food, and Tobacco 0.2%</b>			
The Mochi Ice Cream Company Common Stock <sup>(E)(G)</sup>	450	450	
Triple H Food Processors, LLC Common Stock <sup>(E)(G)</sup>	250,000	250	366
		<b>700</b>	<b>366</b>
<b>Buildings and Real Estate 0.0%</b>			
GFRC Holdings, LLC Common Stock Warrants <sup>(E)(G)</sup>	45.0%		