

GLADSTONE CAPITAL CORP
Form 10-Q
August 04, 2008
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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 JUNE 30, 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 August 4, 2008 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)

	June 30, 2008	September 30, 2007
ASSETS		
Non-Control/Non-Affiliate investments (Cost 6/30/08: \$441,319; 9/30/07: \$354,835)	\$ 411,069	\$ 348,921
Control investments (Cost 6/30/08: \$3,881; 9/30/07: \$924)	671	924
Total investments at fair value (Cost 6/30/08: \$445,200; 9/30/07 \$355,759)	411,740	349,845
Cash and cash equivalents	5,426	8,839
U.S. Treasury bill		2,484
Interest receivable investments in debt securities	3,301	2,426
Interest receivable employees (Refer to Note 4)	91	21
Due from custodian	6,637	3,230
Deferred financing fees	2,383	186
Prepaid assets	202	337
Other assets	462	361
TOTAL ASSETS	\$ 430,242	\$ 367,729
LIABILITIES		
Accounts payable	\$ 8	\$ 6
Interest payable	522	588
Fee due to Administrator (Refer to Note 4)	285	237
Fees due to Adviser (Refer to Note 4)	468	708
Borrowings under lines of credit	133,090	144,440
Accrued expenses and deferred liabilities	905	791
Funds held in escrow	290	
TOTAL LIABILITIES	135,568	146,770
NET ASSETS	\$ 294,674	\$ 220,959
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value, 50,000,000 shares authorized and 21,087,574 and 14,762,574 shares issued and outstanding at June 30, 2008 and September 30, 2007, respectively	\$ 21	\$ 15
Capital in excess of par value	341,281	235,907
Notes receivable employees (Refer to Note 4)	(9,179)	(9,230)
Net unrealized depreciation on investments	(33,460)	(5,915)
Unrealized depreciation on derivative	(304)	(292)
(Distributions in excess of) accumulated undistributed net investment income	(3,685)	474
TOTAL NET ASSETS	\$ 294,674	\$ 220,959
NET ASSETS PER SHARE	\$ 13.97	\$ 14.97

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 JUNE 30, 2008
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company	Industry	Investment (1)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS				
Access Television Network, Inc. (2)	Service-cable airtime (infomercials)	Senior Term Debt (6) (10.5% Due 3/2009)	\$ 2,078	\$ 1,960
ACE Expeditors, Inc	Service - over-the-ground logistics	Line of Credit, \$850 available (6) (6.0% Due 1/2011) Senior Term Debt (6) (9.5% Due 1/2012) Warrants (8)	200 12,544 200	197 12,356 157
ActivStyle Acquisition Co. (2)	Service-medical products distribution	Line of Credit, \$1,500 available (6) (6.7%, Due 7/2009) Senior Term Debt (6) (8.5%, Due 9/2012) Senior Term Debt (3) (6) (10.5%, Due 9/2012)	1,100 4,852 4,435	1,078 4,754 4,302
Allison Publications, LLC (2)	Service-publisher of consumer oriented magazines	Line of Credit, \$4,000 available (9.0%, Due 9/2010) Senior Term Debt (6) (9.0%, Due 9/2012)	 11,070	 10,615
Anitox Acquisition Company (2)	Manufacturing-preservatives for animal feed	Line of Credit, \$3,000 available (6) (6.7%, Due 1/2010) Senior Term Debt (6) (8.5%, Due 1/2012) Senior Term Debt (3) (6) (10.5%, Due 1/2012)	2,000 2,550 2,750	1,940 2,473 2,626
Badanco Acquisition Corp.	Service-luggage design and distribution	Senior Subordinated Term Debt (6) (11.5%, Due 7/2012)	9,506	9,150
BAS Broadcasting	Service-radio station operator	Senior Term Debt (5) (11.5%, Due 7/2013) Senior Term Debt (3) (5)	7,300 1,000	7,300 1,000

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(12.0%, Due 7/2009)

Bresnan Communications, LLC	Service-telecommunications	Senior Term Debt (7) (5.0%, Due 9/2013)	3,001	2,865
		Senior Subordinated Term Debt (7) (7.4%, Due 3/2014)	1,509	1,365
CCS, LLC	Service-cable tv franchise owner	Senior Term Debt (6) (9.0%, Due 8/2008)	3,427	3,358
CHG Companies, Inc. (2)	Service-healthcare staffing	Letter of Credit (7) (5.1%, Due 12/2012)	400	380
		Senior Term Debt (7) (4.9%, Due 12/2012)	1,580	1,501
		Senior Subordinated Term Debt (7) (8.7%, Due 12/2012)	500	445

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Company	Industry	Investment (1)	Cost	Fair Value
Chinese Yellow Pages Company	Service-publisher of Chinese language directories	Line of Credit, \$950 available (6) (9.0%, Due 9/2010)	\$ 700	\$ 667
		Senior Term Debt (6) (9.0%, Due 9/2010)	748	703
Clinton Holdings, LLC (2)	Distribution-aluminum sheets and stainless steel	Senior Subordinated Term Debt (6) (12.0%, Due 1/2013)	15,500	15,422
		Common Stock Warrants (8)	109	
CMI Acquisition, LLC (2)	Service-recycling	Senior Subordinated Term Debt (6) (10.2%, Due 11/2012)	6,435	6,121
Community Media Corporation	Service-publisher of free weekly newspapers	Senior Term Debt (6) (7.0%, Due 8/2012)	2,358	2,280
Country Road Communications LLC (2)	Service-telecommunications	Senior Subordinated Term Debt (7) (10.2%, Due 7/2013)	5,971	5,820
Defiance Acquisition Corporation	Manufacturing-trucking parts	Senior Term Debt (3) (6) (11.0%, Due 4/2010)	6,245	5,496
Doe & Ingalls Management LLC (2)	Distributor-specialty chemicals	Senior Term Debt (6) (6.0%, Due 11/2010)	3,300	3,234
		Senior Term Debt (3) (6) (7.0%, Due 11/2010)	4,421	4,311
Emdeon Business Services, Inc.	Service-healthcare technology solutions	Senior Term Debt (7) (4.8%, Due 11/2013)	2,365	2,239
		Senior Subordinated Term Debt (7) (7.8%, Due 5/2014)	2,011	1,860
Express Courier International, Inc.	Service-ground delivery and logistics	Line of Credit, \$1,200 available (6) (6.7%, Due 6/2009)	900	884
		Senior Term Debt (6) (9.3%, Due 6/2011)	3,408	3,348
		Senior Term Debt (3) (6) (11.3%, Due 6/2011)	4,644	4,539
Finn Corporation	Manufacturing-landscape equipment	Common Stock Warrants (8)	37	3,197
GFRC Holdings LLC	Manufacturing-glass-fiber reinforced concrete	Line of Credit, \$3,000 available (6) (6.7%, Due 12/2010)		
		Senior Term Debt (6) (9.8%, Due 12/2012)	7,362	7,252
		Senior Subordinated Term Debt (3) (6) (12.3%, Due 12/2012)	6,716	6,565
Global Materials Technologies, Inc.	Manufacturing-steel wool products and metal fibers	Senior Term Debt (3) (6) (13.0%, Due 11/2009)	4,830	4,492
GTM Holdings, Inc.	Manufacturing-socks	Senior Term Debt (7)	493	420

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(2)	(5.4%, Due 10/2013) Senior Subordinated Term Debt (7) (8.7%, Due 4/2014)	500	400
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Company	Industry	Investment (1)	Cost	Fair Value
Greatwide Logistics Services, Inc.	Service - logistics and transportation	Senior Term Debt (7) (6.3%, Due 12/2013)	\$ 3,950	\$ 3,160
		Senior Subordinated Term Debt (7) (9.3%, Due 6/2014)	4,000	2,200
GS Maritime Intermediate Holdings LLC	Service-cargo transport	Senior Subordinated Term Debt (7) (10.0%, Due 12/2013)	1,000	990
Harrington Holdings, Inc. (2)	Service - healthcare products distribution	Senior Term Debt (7) (4.7%, Due 1/2014)	2,469	2,271
		Senior Subordinated Term Debt (7) (8.5%, Due 1/2014)	5,000	4,250
Heartland Communications Group, LLC (2)	Service-radio station operator	Line of Credit, \$500 available (6) (10.0%, Due 12/2008)	105	84
		Senior Term Debt (6) (10.0%, Due 5/2011)	4,606	3,651
Interfilm Holdings, Inc.	Service-slitter and distributor of plastic films	Senior Term Debt (6) (10.5%, Due 10/2012)	5,000	4,856
International Junior Golf Training Acquisition Company	Service-golf training	Line of Credit, \$1,500 available (6) (9.0%, Due 5/2010)	1,400	1,355
		Senior Term Debt (6) (6.7%, Due 5/2012)	2,650	2,564
		Senior Term Debt (3) (6) (10.5%, Due 5/2012)	2,500	2,400
It's Just Lunch International, LLC	Service-dating service	Line of Credit, \$750 available (6) (6.5%, Due 6/2009)	550	303
		Senior Term Debt (6) (6.7%, Due 6/2011)	3,300	1,815
		Senior Term Debt (3) (6) (9) (10.5%, Due 6/2011)	500	275
John Henry Holdings, Inc. (2)	Manufacturing-packaging products	Senior Subordinated Term Debt (7) (11.6%, Due 6/2011)	8,000	7,760
Kinetek Acquisition Corp.	Manufacturing-custom engineered motors & controls	Senior Term Debt (7) (5.3%, Due 11/2013)	1,482	1,359
		Senior Subordinated Term Debt (7) (8.0%, Due 5/2014)	1,508	1,275
KMBQ Corporation	Service-AM/FM radio broadcaster	Line of Credit, \$200 available (6) (10.0%, Due 3/2010)	153	143
		Senior Term Debt (6) (10.0%, Due 3/2010)	1,794	1,663

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Legend Communications of Wyoming LLC	Service-operator of radio stations	Line of Credit, \$500 available (5) (11.0%, Due 6/2011)	200	200
		Senior Term Debt (5) (11.0%, Due 6/2013)	9,250	9,250
Lindmark Outdoor Advertising LLC	Service-advertising	Senior Subordinated Term Debt (6) (11.0%, Due 10/2012)	10,000	9,350

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Company	Industry	Investment (1)	Cost	Fair Value
LocalTel, Inc.	Service-yellow pages publishing	Line of Credit, \$3,000 available (6) (10) (non-accrual, Due 6/2009)	\$ 1,170	\$ 234
		Senior Term Debt (6) (10) (non-accrual, Due 6/2011)	2,688	538
		Senior Term Debt (3) (6) (10) (non-accrual, Due 6/2011)	2,750	550
Meteor Holding Corporation (2)	Manufacturing-bar code scanning and data capture	Senior Term Debt (7) (7.0%, Due 12/2013)	2,330	2,330
		Senior Subordinated Term Debt (7) (10.3%, Due 12/2013)	1,500	1,500
Multi-Ag Media LLC (2)	Service-dairy magazine publisher/ information database	Senior Term Debt (6) (9.0%, Due 12/2009)	2,203	2,121
Newhall Holdings, Inc. (2)	Service-distributor of personal care products and supplements	Line of Credit, \$4,000 available (6) (6.0%, Due 5/2010)	1,100	1,064
		Senior Term Debt (6) (8.3%, Due 5/2012)	4,320	4,190
		Senior Term Debt (3) (6) (11.3%, Due 5/2012)	4,500	4,343
Northern Contours, Inc. (2)	Manufacturing-veneer and laminate components	Senior Subordinated Term Debt (6) (10.0%, Due 5/2010)	7,000	6,440
Pinnacle Treatment Centers, Inc.	Service-Addiction treatment centers	Line of Credit, \$500 available (6) (6.7%, Due 12/2009)		
		Senior Term Debt (6) (8.5%, Due 12/2011)	3,750	3,600
		Senior Term Debt (3) (6) (10.5%, Due 12/2011)	7,500	7,163
Precision Acquisition Group Holdings, Inc. (2)	Manufacturing-consumable components for the aluminum industry	Equipment Note, \$1,500 available (6) (8.5%, Due 10/2011)	1,000	999
		Senior Term Debt (6) (8.5%, Due 10/2010)	4,875	4,869
		Senior Term Debt (3) (6) (11.5%, Due 10/2010)	4,179	4,174
PROFITSystems Acquisition Co. (2)	Service-design and develop ERP software	Line of Credit, \$1,250 available (6) (6.7%, Due 7/2009)		
		Senior Term Debt (6) (8.5%, Due 7/2011)	2,350	2,233
		Senior Term Debt (3) (6) (10.5%, Due 7/2011)	2,900	2,733
Puerto Rico Cable Acquisition Company, Inc.	Service-telecommunications	Senior Subordinated Term Debt (7) (10.3%, Due 1/2012)	7,192	5,713
RCS Management Holding Co.	Service-healthcare supplies	Senior Term Debt (3) (6) (8.5%, Due 1/2011)	2,938	2,805

Senior Term Debt (4) (6) (10.5%, Due 1/2011)	3,060	2,869
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Company	Industry	Investment (1)	Cost	Fair Value
RedPrairie Holding, Inc. (2)	Service-design and develop supply chain software	Senior Term Debt (7) (5.7%, Due 7/2012)	\$ 4,412	\$ 4,148
		Senior Subordinated Term Debt (7) (9.3%, Due 1/2013)	3,000	2,580
Reliable Biopharmaceutical	Manufacturing-pharmaceutical and biochemical intermediates	Line of Credit, \$5,000 available (6)	1,200	1,176