

GLADSTONE CAPITAL CORP

Form 10-Q

May 01, 2012

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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 MARCH 31, 2012

.. **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)

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MARYLAND
(State or other jurisdiction of

54-2040781
(I.R.S. Employer

incorporation or organization)

Identification No.)

1521 WESTBRANCH DRIVE, SUITE 200

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 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 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 per share, outstanding as of April 30, 2012 was 21,000,160.

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

	March 31, 2012	September 30, 2011
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$273,931 and \$288,266, respectively)	\$ 246,235	\$ 257,302
Control investments (Cost of \$99,029 and \$94,549, respectively)	41,932	45,645
Total investments at fair value (Cost of \$372,960 and \$382,815, respectively)	288,167	302,947
Cash	7,693	6,732
Restricted cash	1,225	
Interest receivable investments in debt securities	3,055	3,066
Interest receivable employees ^(S)	62	
Due from custodian	6,530	2,547
Deferred financing fees	3,476	650
Other assets	1,103	1,682
TOTAL ASSETS	\$ 311,311	\$ 317,624
LIABILITIES		
Borrowings at fair value (Cost of \$65,800 and \$99,400, respectively)	\$ 65,800	\$ 100,012
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; 4,000,000 and no shares authorized; 1,539,882 and no shares issued and outstanding at March 31, 2012 and September 30, 2011, respectively	38,497	
Accounts payable and accrued expenses	495	513
Interest payable	226	289
Fees due to Adviser ^(A)	2,063	1,760
Fee due to Administrator ^(A)	211	194
Other liabilities	2,017	1,135
TOTAL LIABILITIES	\$ 109,309	\$ 103,903
Commitments and contingencies ^(B)		
NET ASSETS	\$ 202,002	\$ 213,721
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value per share, 46,000,000 and 50,000,000 shares authorized; 21,000,160 and 21,039,242 shares issued and outstanding at March 31, 2012 and September 30, 2011, respectively	\$ 21	\$ 21
Capital in excess of par value	326,578	326,913
Notes receivable from employees ^(A)	(3,522)	(3,858)
Cumulative net unrealized depreciation of investments	(84,793)	(79,867)
Cumulative net unrealized appreciation of borrowings		(612)
Net investment income in excess of distributions	108	108
Accumulated net realized losses	(36,390)	(28,984)

TOTAL NET ASSETS	\$ 202,002	\$ 213,721
NET ASSET VALUE PER COMMON SHARE AT END OF PERIOD	\$ 9.62	\$ 10.16

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 7,840	\$ 5,754	\$ 15,729	\$ 12,680
Control investments	1,051	1,414	2,410	2,211
Cash			6	
Notes receivable from employees ^(A)	63	122	130	244
Total interest income	8,954	7,290	18,275	15,135
Other income				
Non-Control/Non-Affiliate investments	2,042	483	2,042	645
Control investments		625		625
Total other income	2,042	1,108	2,042	1,270
Total investment income	10,996	8,398	20,317	16,405
EXPENSES				
Base management fee ^(A)	1,538	1,365	3,094	2,712
Incentive fee ^(A)	1,304	1,102	2,339	2,261
Administration fee ^(A)	209	175	404	361
Interest expense on borrowings	999	478	2,138	358
Dividend expense on mandatorily redeemable preferred stock	686		1,120	
Amortization of deferred financing fees	277	368	734	664
Professional fees	362	201	655	534
Other general and administrative expenses	528	383	773	603
Expenses before credits from Adviser	5,903	4,072	11,257	7,493
Credits to fees from Adviser ^(A)	(123)	(102)	(574)	(154)
Total expenses net of credits	5,780	3,970	10,683	7,339
NET INVESTMENT INCOME	5,216	4,428	9,634	9,066
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	37	161	(8,212)	161
Control investments		(156)		(156)
Total net realized gain (loss)	37	5	(8,212)	5
Net unrealized (depreciation) appreciation:				
Non-Control/Non-Affiliate investments	(3,351)	(3,020)	3,267	(8,062)

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Control investments	(3,818)	(10,049)	(8,193)	(7,952)
Borrowings	313	255	612	693
Net unrealized depreciation	(6,856)			