

GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
October 28, 2014

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 September 30, 2014

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: 814-00704

GLADSTONE INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

83-0423116
(I.R.S. Employer
Identification No.)

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 from 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 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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 October 27, 2014, was 26,475,958.

GLADSTONE INVESTMENT CORPORATION

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	September 30, 2014	March 31, 2014
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$181,693 and \$233,895, respectively)	\$ 172,970	\$ 205,440
Affiliate investments (Cost of \$201,605 and \$120,010, respectively)	156,661	87,849
Control investments (Cost of \$28,782 and \$29,632 respectively)	17,270	21,104
Total investments at fair value (Cost of \$412,080 and \$383,537, respectively)	346,901	314,393
Cash	3,052	4,553
Restricted cash	3,450	5,314
Interest receivable	1,713	1,289
Due from custodian	1,177	1,704
Deferred financing costs	3,569	2,355
Other assets	1,312	1,086
Total assets	\$ 361,174	\$ 330,694
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$87,750 and \$61,250, respectively)	\$ 87,750	\$ 61,701
Secured borrowing	5,096	5,000
Total borrowings	92,846	66,701
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 1,610,000 shares authorized, 1,600,000 shares issued and outstanding	40,000	40,000
Accounts payable and accrued expenses	1,055	665
Fees due to Adviser ^(A)	1,307	1,225
Fee due to Administrator ^(A)	209	224
Other liabilities	984	1,042
Total liabilities	136,401	109,857
Commitments and contingencies ^(B)		
NET ASSETS		
Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 26,475,958 shares issued and outstanding	\$ 26	\$ 26
Capital in excess of par value	286,866	287,062

Cumulative net unrealized depreciation of investments	(65,179)	(69,144)
Cumulative net unrealized depreciation of other	(74)	(525)
Net investment income in excess of distributions	3,344	3,616
Accumulated net realized loss	(210)	(198)
Total net assets	224,773	220,837
Total liabilities and net assets	\$ 361,174	\$ 330,694
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 8.49	\$ 8.34

(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.

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

	Three Months Ended September 30		Six Months Ended September 30,	
	2014	2013	2014	2013
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 4,494	\$ 5,216	\$ 9,751	\$ 9,893
Affiliate investments	3,540	473	6,156	931
Control investments	535	2,017	1,065	4,063
Cash and cash equivalents	1		2	1
Total interest income	8,570	7,706	16,974	14,888
Other income				
Non-Control/Non-Affiliate investments	501	25	1,900	241
Affiliate investments		333	34	333
Control investments		3,295		3,295
Total other income	501	3,653	1,934	3,869
Total investment income	9,071	11,359	18,908	18,757
EXPENSES				
Base management fee ^(A)	1,744	1,561	3,410	3,110
Loan servicing fee ^(A)	1,158	1,116	2,293	2,141
Incentive fee ^(A)	1,051	1,557	2,266	1,722
Administration fee ^(A)	209	156	444	399
Interest expense on borrowings	720	597	1,458	1,074
Dividends on mandatorily redeemable preferred stock	712	712	1,425	1,425
Amortization of deferred financing fees	282	256	536	499
Professional fees	305	159	547	280
Other general and administrative expenses	450	467	747	832
Expenses before credits from Adviser	6,631	6,581	13,126	11,482
Credit of loan servicing fee ^(A)	(1,158)	(1,116)	(2,293)	(2,141)
Other credits to Adviser fees ^(A)	(606)	(334)	(988)	(845)
Total expenses net of credits to fees	4,867	5,131	9,845	8,496
NET INVESTMENT INCOME	4,204	6,228	9,063	10,261

REALIZED AND UNREALIZED (LOSS) GAIN					
Net realized (loss) gain:					
Control investments	(12)	24,804	(12)	24,804	
Total net realized (loss) gain	(12)	24,804	(12)	24,804	
Net unrealized (depreciation) appreciation:					
Non-Control/Non-Affiliate investments	9,454	1,258	9,899	(8,378)	
Affiliate investments	(4,283)	411	(2,941)	(3,022)	
Control investments	(6,666)	(17,353)	(2,993)	(15,690)	
Other		(409)	451	445	
Total net unrealized (depreciation) appreciation	(1,495)	(16,093)	4,416	(26,645)	
Net realized and unrealized (loss) gain	(1,507)	8,711	4,404	(1,841)	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS					
	\$	2,697	\$	14,939	\$
				13,467	\$
					8,420
BASIC AND DILUTED PER COMMON SHARE:					
Net investment income	\$	0.16	\$	0.24	\$
				0.34	\$
					0.39
Net increase in net assets resulting from operations	\$	0.10	\$	0.57	\$
				0.51	\$
					0.32
Distributions	\$	0.18	\$	0.15	\$
				0.36	\$
					0.30
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:					
Basic and diluted		26,475,958		26,475,958	
				26,475,958	
					26,475,958

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

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended September 30,	
	2014	2013
OPERATIONS:		
Net investment income	\$ 9,063	\$ 10,261
Net realized (loss) gain of investments	(12)	24,804
Net unrealized appreciation (depreciation) of investments	3,965	(27,090)
Net unrealized appreciation of other	451	445
Net increase in net assets from operations	13,467	8,420
DISTRIBUTIONS TO COMMON STOCKHOLDERS:	(9,531)	(7,943)
Total increase in net assets	3,936	477
Net assets at beginning of period	220,837	240,963
Net assets at end of period	\$ 224,773	\$ 241,440

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 13,467	\$ 8,420
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	(29,287)	(55,990)
Principal repayments of investments	802	22,200
Increase in investment balance due to paid in kind interest	(58)	(30)
Net proceeds from the sale of investments	(12)	30,804
Net realized loss (gain) on investments	12	(24,804)
Net unrealized (appreciation) depreciation of investments	(3,965)	27,090
Net unrealized appreciation of other	(451)	(445)
Amortization of deferred financing costs	536	499
Decrease (increase) in restricted cash	1,864	(4,851)
Increase in interest receivable	(424)	(170)
Decrease in due from custodian	527	633
Increase in other assets	(226)	(293)
Increase (decrease) in accounts payable and accrued expenses	357	(24)
Increase (decrease) in fees due to Adviser ^(A)	82	(120)
Decrease in administration fee due to Administrator ^(A)	(15)	(65)
(Decrease) increase in other liabilities	(58)	592
Net cash (used in) provided by operating activities	(16,849)	3,446
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans		48,014
Repayments on short-term loans		(84,025)
Proceeds from line of credit	36,800	71,500
Repayments on line of credit	(10,300)	(68,500)
Proceeds from secured borrowing	96	
Purchase of derivative		(75)
Payment of deferred financing costs	(1,717)	(1,088)
Distributions paid to common stockholders	(9,531)	(7,943)
Net cash provided by (used in) financing activities	15,348	(42,117)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,501)	(38,671)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,553	85,904

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	3,052	\$	47,233
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(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(L):					
Auto Safety House, LLC	Automobile	Line of Credit , \$1,000 available (7.0%, Due 10/2018)	\$ 5,000	\$ 5,000	\$ 4,900
				5,000	4,900
B-Dry, LLC	Personal, Food and Miscellaneous Services	Line of Credit, \$0 available (6.5%, Due 5/2015)	750	750	544
		Senior Term Debt (13.5%, Due 5/2015)	6,433	6,443	4,703
		Senior Term Debt (13.5%, Due 5/2015)	2,840	2,840	2,066
		Common Stock Warrants (85 shares) ^{(C)(F)}		300	
				10,333	7,313
Cavert II Holding Corp.	Containers, Packaging, and Glass	Preferred Stock (18,446 shares) ^{(C)(F)}		1,845	3,140
				1,845	3,140
Country Club Enterprises, LLC	Automobile	Senior Subordinated Term Debt (18.6%, Due 5/2017)	4,000	4,000	4,000
		Preferred Stock (7,079,792 shares) ^{(C)(F)}		7,725	2,888
		Guaranty (\$2,000) ^(D)			
		Guaranty (\$716) ^(D)			
				11,725	6,888
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Senior Term Debt (13.5%, Due 8/2017)	10,913	10,913	10,913
		Preferred Stock (34,045 shares) ^{(C)(F)}		3,375	1,769
		Common Stock (5,372 shares) ^{(C)(F)}		63	
				14,351	12,682

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Frontier Packaging, Inc.	Containers, Packaging, and Glass	Senior Term Debt (12.0%, Due 12/2017)	12,500	12,500	12,500
		Preferred Stock (1,373 shares) ^{(C)(F)}		1,373	1,591
		Common Stock (152 shares) ^{(C)(F)}		152	1,102
				14,025	15,193
Funko, LLC ^(K)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Senior Subordinated Term Debt (12.0% and 1.5% PIK, Due 5/2019)	7,646	7,646	7,817
		Preferred Stock (1,305 shares) ^{(C)(F)}		1,305	5,691
				8,951	13,508
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Senior Subordinate Term Debt (13.5%, Due 1/2018) ^(H)	13,300	13,300	13,300
		Preferred Stock (18,898 shares) ^{(C)(F)}		9,583	1,660
		Common Stock (63,747 shares) ^{(C)(F)}		8	
				22,891	14,960
Jackrabbit, Inc.	Farming and Agriculture	Senior Term Debt (13.5%, Due 4/2018)	11,000	11,000	11,000
		Preferred Stock (3,556 shares) ^{(C)(F)}		3,556	3,986
		Common Stock (548 shares) ^{(C)(F)}		94	4,341
				14,650	19,327
Mathey Investments, Inc.	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Senior Term Debt (10.0%, Due 3/2016)	1,375	1,375	1,375
		Senior Term Debt (12.0%, Due 3/2016)	3,727	3,727	3,727
		Senior Term Debt (12.5%, Due 3/2016) ^{(E)(I)}	3,500	3,500	3,500
		Common Stock (29,102 shares) ^{(C)(F)}		777	7,204
				9,379	15,806
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Subordinated Term Debt (13.0%, Due 10/2016) ^(I)	13,560	13,560	12,543
			1,500	1,500	1,388

		Subordinated Term Debt (13.0%, Due 12/2015) ⁽¹⁾			
		Preferred Stock (27,900 shares) ^{(C)(F)}		2,790	
		Common Stock (27,900 shares) ^{(C)(F)}		28	
				17,878	13,931
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Senior Term Debt (14.0%, Due 12/2015)	5,617	5,617	5,617
		Preferred Stock (19,091 shares) ^{(C)(F)}		1,909	108
		Common Stock (90,909 shares) ^{(C)(F)}		91	
				7,617	5,725

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

September 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,392 shares) ^{(C)(F)}		\$ 3,397	\$ 4,753
				3,397	4,753
SBS, Industries, LLC	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Senior Term Debt (14.0%, Due 8/2016)	11,355	11,355	11,355
				1,994	2,527
				221	381
			13,570	14,263	
Schylling Investments, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.0%, Due 8/2017)	13,081	13,081	13,081
				4,000	
			17,081	13,081	
Star Seed, Inc.	Farming and Agriculture	Senior Term Debt (12.5%, Due 4/2018)	7,500	7,500	7,500
				1,499	
				1	
			9,000	7,500	
Total Non-Control/Non-Affiliate Investments (represents 49.9% of total investments at fair value)				\$ 181,693	\$ 172,970

AFFILIATE INVESTMENTS^(M):

Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Senior Subordinated Term Debt (11.5%, Due 3/2015) ^(I)	\$ 14,500	\$ 14,500	\$ 14,500
		Preferred Stock (965,982 shares) ^{(C)(F)}		7,956	12,639
		Common Stock (549,908 shares) ^{(C)(F)}		1,197	
		Common Stock Warrants (465,639 shares) ^{(C)(F)}		25	
			23,678	27,139	
Alloy Die Casting Corp. ^(K)	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018)	12,215	12,215	12,200
		Preferred Stock (4,064 shares) ^{(C)(F)}		4,064	2,619
		Common Stock (630 shares) ^{(C)(F)}		41	
			16,320	14,819	
Behrens Manufacturing, LLC ^(K)	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.0%, Due 12/2018)	9,975	9,975	9,975
		Preferred Stock (2,923 shares) ^{(C)(F)}		2,922	2,684
			12,897	12,659	
Cambridge Sound Management, LLC	Home and office Furnishings, Housewares and Durable Consumer Products	Line of Credit, \$325 available (13.0%, Due 9/2015) ^(J)	675	675	675
		Senior Term Debt (13.0%, Due 9/2019) ^(J)	15,000	15,000	15,000
		Preferred Stock (4,500 shares) ^{(C)(F)(J)}		4,500	4,500
			20,175	20,175	
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) ^{(C)(F)}		2,864	2,110
		Common Stock (2,279,020 shares) ^{(C)(F)}			
			2,864	2,110	
Danco Acquisition Corp.	Diversified/Conglomerate Manufacturing	Line of Credit, \$550 available (4.0%, Due 8/2015)	4,000	4,000	300
		Senior Term Debt (4.0%, Due 8/2015)	2,575	2,575	193
		Senior Term Debt (4.0%, Due 8/2015)	8,795	8,795	660

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		Due 8/2015)			
		Senior Term Debt (5.0%, Due 8/2015) ^(E)	1,150	1,150	86
		Preferred Stock (25 shares) ^{(C)(F)}		2,500	
		Common Stock (1,241 shares) ^{(C)(F)}		3	
				19,023	1,239
Edge Adhesives Holdings, Inc. ^(K)	Diversified/Conglomerate Manufacturing	Line of Credit, \$345 available (10.5%, Due 8/2015)	1,155	1,155	1,152
		Senior Term Debt (12.5%, Due 2/2019)	9,300	9,300	9,312
		Senior Term Debt (13.75%, Due 11/2014) ^(J)	877	877	877
		Senior Subordinated Term Debt (13.75%, Due 2/2019)	2,400	2,400	2,406
		Preferred Stock (3,474 shares) ^{(C)(F)}		3,474	4,327
				17,206	18,074
Head Country Food Products, Inc.	Beverage, Food and Tobacco	Senior Term Debt (12.5%, Due 2/2019)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) ^{(C)(F)}		4,000	1,757
				13,050	10,807

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

September 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value	
Meridian Rack & Pinion, Inc. ^(K)	Automobile	Senior Term Debt (13.5%, Due 12/2018)	\$ 9,660	\$ 9,660	\$ 9,648	
		Preferred Stock (3,381 shares) ^{(C)(F)}		3,381	3,613	
				13,041	13,261	
NDLI Inc.	Cargo Transport	Line of Credit, \$0 available (10.5%, Due 1/2015)	1,225	1,225	968	
		Senior Term Debt (11.0%, Due 1/2015)	7,227	7,227	5,709	
		Senior Term Debt (10.5%, Due 1/2015)	3,650	3,650	2,847	
		Senior Term Debt (10.5%, Due 1/2015) ^(E)	3,650	3,650	2,865	
		Preferred Stock (3,600 shares) ^{(C)(F)}			3,600	
		Common Stock (545 shares) ^{(C)(F)}				
				19,352	12,389	
SOG Specialty K&T, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.3%, Due 10/2017)	6,200	6,200	6,200	
		Senior Term Debt (14.8%, Due 10/2017)	12,199	12,199	12,199	
		Preferred Stock (9,749 shares) ^{(C)(F)}		9,749	5,590	
				28,148	23,989	
Tread Corp.	Oil and Gas	Line of Credit, \$496 available (12.5%, Due 2/2015) ^{(G)(I)}	2,754	2,754		
		Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(I)}	5,000	5,000		
		Senior Subordinated Term Debt	2,750	2,750		

		(12.5%, Due 2/2015) ^{(G)(I)}		
		Senior Subordinated Term Debt		
		(12.5%, Due 2/2015) ^{(G)(I)}	1,000	1,000
		Senior Subordinated Term Debt		
		(12.5%, Due on Demand) ^{(G)(I)}	510	510
		Preferred Stock (3,332,765		
		shares) ^{(C)(F)}		3,333
		Common Stock (7,716,320		
		shares) ^{(C)(F)}		501
		Common Stock Warrants		
		(2,372,727 shares) ^{(C)(F)}		3
				15,851
		Total Affiliate Investments (represents 45.1% of total investments at fair value)	\$ 201,605	\$ 156,661
CONTROL INVESTMENTS^(N):				
Galaxy Tool Holding Corp.	Aerospace and Defense	Senior Subordinated Term Debt		
		(13.5%, Due 8/2017)	\$ 15,520	\$ 15,520
		Preferred Stock (6,039,387		
		shares) ^{(C)(F)}		11,464
		Common Stock (88,843		
		shares) ^{(C)(F)}		48
				27,032
				15,520
Tread Real Estate Corp.	Buildings and Real Estate	Common Stock (1,000		
		shares) ^{(C)(F)(J)}	1,750	1,750
				1,750
				1,750
		Total Control Investments (represents 5.0% of total investments at fair value)	\$ 28,782	\$ 17,270
		TOTAL INVESTMENTS	\$ 412,080	\$ 346,901

- (A) Certain of the securities listed above are issued by affiliate(s) of the indicated portfolio company. Additionally, the majority of the securities listed above, totaling \$315.7 million at fair value, is pledged as collateral to our Credit Facility as described further in Note 5 *Borrowings*.
- (B) Percentages represent the weighted average cash interest rates in effect at September 30, 2014, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day LIBOR. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rates.
- (C) Security is non-income producing.
- (D) Refer to Note 10 *Commitments and Contingencies* for additional information regarding these guaranties.
- (E) Last Out Tranche (LOT) of senior debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after the other senior debt but before the senior subordinated debt.
- (F) Where applicable, aggregates all shares of such 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 such class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security participated to a third party but accounted for as collateral for a secured borrowing for accounting principles generally accepted in the U.S. (GAAP) purposes.
- (I) Debt security has a fixed interest rate.
- (J) New proprietary portfolio investment valued at cost, as it was determined that the price paid during the three months ended September 30, 2014 best represents fair value as of September 30, 2014.
- (K) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the Securities and Exchange Commission (SEC).
- (L) Non-Control/Non-Affiliate investments, as defined by the Investment Company Act of 1940, as amended, (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.
- (M) 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.
- (N) 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.

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

GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value	
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(L):						
Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Senior Subordinated Term Debt (11.5%, Due 3/2015) ^(K)	\$ 14,500	\$ 14,500	\$ 14,500	
		Preferred Stock (898,814 shares) ^{(C)(F)}		6,984	11,276	
		Common Stock (418,072 shares) ^{(C)(F)}			1,045	
		Common Stock Warrants (465,639 shares) ^{(C)(F)}			25	
				22,554	25,776	
Alloy Die Casting Corp.	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018) ^(D)	12,215	12,215	12,261	
		Preferred Stock (4,064 shares) ^{(C)(F)}		4,064	1,948	
		Common Stock (630 shares) ^{(C)(F)}			41	
				16,320	14,209	
Auto Safety House, LLC	Automobile	Line of Credit, \$1,000 available (7.0%, Due 10/2018) ^{(D)(K)}	5,000	5,000	4,925	
		Guaranty (\$500) Guaranty (\$250)				
				5,000	4,925	
B-Dry, LLC	Personal, Food and Miscellaneous Services	Line of Credit, \$0 available (6.5%, Due 5/2014)	750	750	566	
		Senior Term Debt (13.5%, Due 5/2014)	6,433	6,443	4,865	
		Senior Term Debt (13.5%, Due 5/2014)	2,840	2,840	2,144	
		Common Stock Warrants (85 shares) ^{(C)(F)}			300	
				10,333	7,575	

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Cavert II Holding Corp.	Containers, Packaging, and Glass	Preferred Stock (18,446 shares) ^{(C)(F)}		1,845	3,023
				1,845	3,023
Country Club Enterprises, LLC	Automobile	Senior Subordinated Term Debt (18.6%, Due 11/2014)	4,000	4,000	4,000
		Preferred Stock (7,079,792 shares) ^{(C)(F)}		7,725	3,670
		Guaranty (\$2,000)			
		Guaranty (\$878)			
				11,725	7,670
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Senior Term Debt (13.5%, Due 8/2017)	10,913	10,913	10,913
		Preferred Stock (34,045 shares) ^{(C)(F)}		3,375	1,351
		Common Stock (5,372 shares) ^{(C)(F)}		63	
				14,351	12,264
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Senior Term Debt (12.0%, Due 12/2017)	12,500	12,500	12,500
		Preferred Stock (1,373 shares) ^{(C)(F)}		1,373	1,522
		Common Stock (152 shares) ^{(C)(F)}		152	843
				14,025	14,865
Funko, LLC	Personal and Non-Durable Consumer Products (Manufacturing Only)	Senior Subordinated Term Debt (12.0% and 1.5% PIK, Due 5/2019) ^(D)	7,587	7,587	7,729
		Preferred Stock (1,305 shares) ^{(C)(F)}		1,305	2,276
				8,892	10,005
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Senior Subordinate Term Debt (13.5%, Due 1/2018) ^(I)	13,050	13,050	13,050
		Preferred Stock (18,898 shares) ^{(C)(F)}		9,393	3,082
		Common Stock (63,747 shares) ^{(C)(F)}		8	
				22,451	16,132
Jackrabbit, Inc.	Farming and Agriculture	Line of Credit, \$3,000 available (13.5%, Due 4/2014)			

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		Senior Term Debt (13.5%, Due 4/2018)	11,000	11,000	11,000
		Preferred Stock (3,556 shares) ^{(C)(F)}		3,556	1,963
		Common Stock (548 shares) ^{(C)(F)}		94	
				14,650	12,963
Mathey Investments, Inc.	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Senior Term Debt (10.0%, Due 3/2016)			
			1,375	1,375	1,375
		Senior Term Debt (12.0%, Due 3/2016)	3,727	3,727	3,727
		Senior Term Debt (12.5%, Due 3/2016) ^{(E)(K)}	3,500	3,500	3,500
		Common Stock (29,102 shares) ^{(C)(F)}			