

GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
February 09, 2010
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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, 2009

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

COMMISSION FILE NUMBER: 000-51233

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 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 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, outstanding as of February 8, 2010 was 22,080,133.

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GLADSTONE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	December 31, 2009 (Unaudited)	March 31, 2009
ASSETS		
Cash and cash equivalents	\$ 87,872	\$ 7,236
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$22,902 and \$134,836, respectively)	19,404	94,740
Control investments (Cost of \$150,107 and \$150,081, respectively)	130,955	166,163
Affiliate investments (Cost of \$52,891 and \$64,028, respectively)	37,027	53,027
Total investments (Cost of \$225,900 and \$348,945, respectively)	187,386	313,930
Interest receivable	1,373	1,500
Due from Custodian	766	2,706
Deferred financing fees	512	1,167
Prepaid assets	300	172
Other assets	70	132
TOTAL ASSETS	\$ 278,279	\$ 326,843
LIABILITIES		
Accounts payable and accrued expenses	\$ 200	\$ 1,283
Fee due to Administrator (Refer to Note 4)	156	179
Fees due to Adviser (Refer to Note 4)	793	187
Short-term loan	75,000	
Borrowings under line of credit at fair value (Cost of \$26,750 and \$110,265, respectively)	26,883	110,265
Other liabilities	246	127
TOTAL LIABILITIES	103,278	112,041
NET ASSETS	\$ 175,001	\$ 214,802
ANALYSIS OF NET ASSETS:		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 22,080,133 shares issued and outstanding at December 31, 2009 and March 31, 2009	\$ 22	\$ 22
Capital in excess of par value	264,576	257,361
Net unrealized depreciation of investment portfolio	(38,514)	(35,015)
Net unrealized depreciation of derivative	(34)	(53)
Net unrealized appreciation of borrowings under line of credit	(133)	
Accumulated net investment loss	(50,916)	(7,513)
TOTAL NET ASSETS	\$ 175,001	\$ 214,802
NET ASSETS PER SHARE	\$ 7.93	\$ 9.73

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULES OF INVESTMENTS
AS OF DECEMBER 31, 2009
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company (1)	Industry	Investment (2)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS:				
<i>Senior Syndicated Loans:</i>				
Interstate FiberNet, Inc.	Service provider of voice and data telecommunications services	Senior Term Debt (4.3%, Due 7/2013) (3)	\$ 6,759	\$ 5,085
Survey Sampling, LLC	Service telecommunications-based sampling	Senior Term Debt (9.5%, Due 5/2011) (3)	2,397	1,073
<i>Subtotal - Syndicated Loans</i>			\$ 9,156	\$ 6,158
<i>Non-syndicated Loans:</i>				
American Greetings Corporation	Manufacturing and design greeting cards	Senior Notes (7.4%, Due 6/2016) (3)	\$ 3,043	\$ 2,895
B-Dry, LLC	Service basement waterproofer	Senior Term Debt (11.0%, Due 5/2014) (5)	6,613	6,580
		Senior Term Debt (11.5%, Due 5/2014) (5)	3,790	3,771
		Common Stock Warrants (4)	300	
			10,703	10,351
Total Non-Control/Non-Affiliate Investments			\$ 22,902	\$ 19,404
CONTROL INVESTMENTS:				
A. Stucki Holding Corp.	Manufacturing railroad freight car products	Senior Term Debt (4.7%, Due 3/2012)	\$ 9,101	\$ 9,101
		Senior Term Debt (7.0%, Due 3/2012) (6)	9,900	9,900
		Senior Subordinated Term Debt (13.0%, Due 3/2014)	8,586	8,586
		Preferred Stock	4,387	4,448
		Common Stock (4)	130	1,566
			32,104	33,601
Acme Cryogenics, Inc.	Manufacturing manifolds and pipes for industrial gasses	Senior Subordinated Term Debt (11.5%, Due 3/2012)	14,500	14,479
		Preferred Stock (4)	6,984	
		Common Stock (4)	1,045	
		Common Stock Warrants (4)	24	
			22,553	14,479

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ASH Holdings Corp.	Retail and Service buses and parts	school	Revolver, \$2,000 available (non-accrual, Due 3/2010) (5), (4)		
			Senior Subordinated Term Debt (non-accrual, Due 1/2012) (5), (4)	6,250	1,719
			Preferred Stock (4)	2,500	
			Common Stock Warrants (4)	4	
			Guaranty (\$500)	8,754	1,719
Cavert II Holdings Corp.	Manufacturing	bailing wire	Senior Term Debt (8.3%, Due 10/2012)	2,875	2,875
			Senior Term Debt (10.0%, Due 10/2012) (6)	2,700	2,700
			Senior Subordinated Term Debt (13.0%, Due 10/2014)	4,671	4,671
			Preferred Stock (4)	4,110	4,863
			Common Stock (4)	69	2,926
			14,425	18,035	
Chase II Holdings Corp.	Manufacturing	traffic doors	Senior Term Debt (8.8%, Due 3/2011)	7,975	7,975
			Senior Term Debt (12.0%, Due 3/2011) (6)	7,560	7,560
			Senior Subordinated Term Debt (13.0%, Due 3/2013)	6,168	6,168
			Preferred Stock (4)	6,961	7,214
			Common Stock (4)	61	
			28,725	28,917	
Country Club Enterprises, LLC	Service	golf cart distribution	Subordinated Term Debt (14.0%, Due 11/2014) (5)	7,000	6,851
			Preferred Stock (4)	3,725	
			10,725	6,851	

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULES OF INVESTMENTS (Continued)
AS OF DECEMBER 31, 2009
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company (1)	Industry	Investment (2)	Cost	Fair Value
CONTROL INVESTMENTS (Continued):				
Galaxy Tool Holding Corp.	Manufacturing aerospace and plastics	Senior Subordinated Term Debt (13.5%, Due 8/2013) (5)	\$ 17,250	\$ 16,991
		Preferred Stock (4)	4,112	
		Common Stock (4)	48	