

DOW CHEMICAL CO /DE/
Form 4
March 16, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GAMBRELL MICHAEL R

(Last) (First) (Middle)
2030 DOW CENTER
(Street)

MIDLAND, MI 48674

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

DOW CHEMICAL CO /DE/ [DOW]

3. Date of Earliest Transaction
(Month/Day/Year)
03/14/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount (A) or (D) Price		
Common Stock	03/14/2006		M		10,000 (1) \$ 0	D	
Common Stock	03/14/2006		F		3,410 (2) \$ 42.975	D	
Common Stock					6,389.887	I	by 401(k) Plan
Common Stock					1,359.644	I	by 401(k) Plan ESOP
Common Stock					233.966	I	by Custodial

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Senior Securities Data:

Total borrowings at cost

\$66,250 \$94,016 \$76,005 \$40,000 \$102,812

Mandatorily redeemable preferred stock

40,000 40,000 40,000

Asset coverage ratio^(G)

298% 272% 268% 534% 281%

Average coverage per unit^(H)

\$2,978 \$2,725 \$2,676 \$5,344 \$2,814

Ratios/Supplemental Data:

Ratio of expenses to average net assets^{(I)(M)}

10.20% 8.81% 5.71% 6.90% 7.72%

Ratio of net expenses to average net assets^{(J)(K)}

7.33 6.48 3.67 5.13 5.33

Ratio of net investment income to average net assets^(L)

8.35 7.61 6.72 8.38 5.55

(A) Based on actual shares outstanding at the end of the corresponding year.

(B) Based on weighted average per basic common share data.

(C) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(D) In fiscal year ended March 31, 2013, the dilution is the result of issuing common shares at a price below then current NAV.

(E) Total return equals the change in the market value of our common stock from the beginning of the year, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to*

Common Stockholders.

- (F) Calculated using the average balance of net assets at the end of each month of the reporting year.
- (G) As a BDC, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. Our mandatorily redeemable preferred stock is a senior security that is stock.
- (H) Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.
- (I) Ratio of expenses to average net assets is computed using expenses before credits from the Adviser.
- (J) Ratio of net expenses to average net assets is computed using total expenses net of credits to the management fee.
- (K) Had we not received any voluntary waivers of fees due to the Adviser, the ratio of net expenses to average net assets would have been 7.33 %, 6.58%, 3.69%, 5.14%, and 5.54% for the fiscal years ended March 31, 2014, 2013, 2012, 2011, and 2010, respectively.
- (L) Had we not received any voluntary waivers of fees due to the Adviser, the ratio of net investment income to average net assets would have been 8.35%, 7.50%, 6.69%, 8.38%, and 5.34% for the fiscal years ended March 31, 2014, 2013, 2012, 2011, and 2010, respectively.
- (M) The ratio of expenses to average net assets for the fiscal years ended March 31, 2014, 2013, 2012, 2011, and 2010 were revised from the previously reported ratios, which were 8.33%, 7.09%, 4.23%, 5.48%, and 5.76%, respectively, to correct an error as discussed in footnote 2.

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Table of Contents**NOTE 13. SELECTED QUARTERLY DATA (UNAUDITED)**

Fiscal Year 2014	Quarter Ended			
	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
Total investment income	\$ 7,398	\$ 11,359	\$ 8,696	\$ 8,811
Net investment income	4,033	6,228	4,402	4,644
Net (decrease) increase in net assets resulting from operations	(6,519)	14,939	(10,686)	937
Net (decrease) increase in net assets resulting from operations per weighted average common share basic & diluted	\$ (0.25)	\$ 0.57	\$ (0.40)	\$ 0.03

Fiscal Year 2013	Quarter Ended			
	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013
Total investment income	\$ 5,905	\$ 6,974	\$ 7,184	\$ 10,475
Net investment income	3,238	3,451	3,952	5,847
Net (decrease) increase in net assets resulting from operations	(3,017)	(353)	4,699	15,950
Net (decrease) increase in net assets resulting from operations per weighted average common share basic & diluted	\$ (0.13)	\$ (0.02)	\$ 0.18	\$ 0.60

NOTE 14. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC's Regulation S-X, we have subsidiaries that are not required to be consolidated. We have an unconsolidated subsidiary, Venyu, as of March 31, 2013 and for the years ended March 31, 2014 and 2013, that meets at least one of the significance conditions under Rule 1-02(w) of the SEC's Regulation S-X. Accordingly, summarized, comparative financial information is presented below for Venyu, which is a leader in commercial-grade, customizable solutions for data protection, data hosting, and disaster recovery.

Income Statement	For the Five Months Ended	For the Year Ended	For the Year Ended
	August 30, 2013^(A)	March 31, 2013	March 31, 2012
Net sales	\$ 10,120	\$ 23,905	\$ 23,635
Gross profit	5,254	12,861	9,987
Net loss	(294)	(329)	(5,300)

Balance Sheet	As of March 31, 2013
Current assets	\$ 6,382
Noncurrent assets	31,092
Current liabilities	2,235

Noncurrent liabilities

32,966

- (A) Venyu was exited in August 2013 and is no longer in our portfolio as of March 31, 2014. Rule 4-08(g) information is being provided herein in lieu of Rule 3-09 separate financial statements pursuant to relief provided by the Staff of the SEC's Office of Chief Accountant in the Division of Investment Management.

NOTE 15. SUBSEQUENT EVENTS

New Portfolio Activity

In May 2014, NDLI completed the purchase of certain of Noble's assets out of bankruptcy. The resulting entity assumed the name Noble Distribution & Logistics Inc. and will be listed as one portfolio company on our *Consolidated Schedules of Investments* beginning with the three months ending June 30, 2014.

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Table of Contents*Distributions*

On April 8, 2014, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Record Date	Payment Date	Distribution per Common Share	Distribution per Term Preferred Share
April 21, 2014	April 30, 2014	\$ 0.06	\$ 0.1484375
May 20, 2014	May 30, 2014	0.06	0.1484375
June 19, 2014	June 30, 2014	0.06	0.1484375
Total for the Quarter:		\$ 0.18	\$ 0.4453125

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SCHEDULE 12-14

GLADSTONE INVESTMENT CORPORATION
INVESTMENTS IN AND ADVANCES TO AFFILIATES
(AMOUNTS IN THOUSANDS)

Name of Issuer ^(A)	Title of Issue or Nature of Indebtedness ^(B)	Amount of Dividends or Interest Credited to Income ^(C)	Value as of March 31, 2013	Gross Additions ^(D)	Gross Reductions ^(E)	Value as of March 31, 2014
CONTROL INVESTMENTS						
Galaxy Tool Holding Corp.	Senior Subordinated Term Debt	\$ 2,124	\$ 15,520	\$	\$	\$ 15,520
	Preferred Stock		5,356	3,280	(5,644)	2,992
	Common Stock					
		2,124	20,876	3,280	(3,644)	18,512
NDLI Acquisition Inc.	Preferred Stock			2,600	(8)	2,592
	Common Stock					
				2,600	(8)	2,592
Venyu Solutions, Inc.	Senior Subordinated Term Debt	330	7,000		(7,000)	
	Senior Subordinated Term Debt	705	12,000		(12,000)	
	Preferred Stock	1,465	24,970		(24,970)	
		2,500	43,970		(43,970)	
TOTAL CONTROL INVESTMENTS		\$ 4,624	\$ 64,846	\$ 5,880	\$ (49,622)	\$ 21,104
AFFILIATE INVESTMENTS						
Behrens Manufacturing, LLC	Senior Term Debt	382		9,975		9,975
	Preferred Stock			2,923	(169)	2,754
				382	12,898	(168)
Channel Technologies Group, LLC	Revolving Credit Facility	5	1,248		(1,248)	
	Senior Term Debt	257	5,589		(5,589)	
	Senior Term Debt	706	10,737		(10,737)	
	Preferred Stock		275	2,847		3,122

Common Stock

		968	17,849	2,847	(17,574)	3,122
Danco Acquisition Corp.						
	Revolving Credit Facility	123	717	603	(630)	690
	Senior Term Debt	105	644	26	(155)	515
	Senior Term Debt	357	2,199	88	(528)	1,759
	Senior Term Debt	58	287	12	(63)	236
	Preferred Stock					
	Common Stock Warrants					
		643	3,847	729	(1,376)	3,200
Edge Adhesives Holdings, Inc.						
	Revolving Credit Facility	9		795		795
	Senior Term Debt	103		9,300		9,300
	Senior Subordinated Term Debt	29		2,400		2,400
	Preferred Stock			3,474		3,474
		141		15,969		15,969
Head Country Food Products, Inc.						
	Revolving Credit Facility	1				
	Senior Term Debt	145		9,050		9,050
	Preferred Stock			4,000		4,000
		146		13,050		13,050
Meridian Rack & Pinion, Inc.						
	Senior Term Debt	344		9,672		9,672
	Preferred Stock			3,468		3,468
		344		13,140		13,140
Packerland Whey Products, Inc.						
	Preferred Stock		367		(367)	
	Common Stock					
			367		(367)	

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Name of Issuer ^(A)	Title of Issue or Nature of Indebtedness ^(B)	Amount of Dividends or Interest		Value as of March 31, 2013	Gross Additions ^(D)	Gross Reductions ^(E)	Value as of March 31, 2014
		Credited to	Income ^(C)				
SOG Specialty Knives and Tools, LLC	Senior Term Debt		833	6,200			6,200
	Senior Term Debt		1,824	12,199			12,199
	Preferred Stock			11,423	3,140	(6,323)	8,240
			2,657	29,822	3,140	(6,323)	26,639
Tread Corp.	Revolving Credit Facility ^(F)	\$		\$	\$ 1,830	\$ (1,830)	\$
	Senior Subordinated Term Debt ^(F)						
	Senior Subordinated Term Debt ^(F)						
	Preferred Stock						
	Common Stock						
	Common Stock Warrants						
						1,830	(1,830)
TOTAL AFFILIATE INVESTMENTS		\$ 5,281	\$ 51,885	\$ 63,603	\$ (27,639)	\$ 87,849	

(A) Certain of the listed securities are issued by affiliate(s) of the indicated portfolio company.

(B) Common stock, warrants, options and, in some cases, preferred stock are generally non-income-producing and restricted. The principal amount of debt and the number of shares of common stock and preferred stock are shown in the Consolidated Schedules of Investments as of March 31, 2014.

(C) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was a control investment or affiliate investment, as appropriate.

(D) Gross additions include increases in investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or decreases in unrealized depreciation.

(E) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or decreases in unrealized appreciation.

(F) Debt security is on non-accrual status and, therefore, is considered non-income producing

** Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

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

	June 30, 2014	March 31, 2014
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$202,717 and \$233,895, respectively)	\$ 189,309	\$ 205,440
Affiliate investments (Cost of \$155,767 and \$120,010, respectively)	110,337	87,849
Control investments (Cost of \$27,032 and \$29,632 respectively)	22,186	21,104
Total investments at fair value (Cost of \$385,516 and \$383,537, respectively)	321,832	314,393
Cash	3,772	4,553
Restricted cash	5,315	5,314
Interest receivable	1,651	1,289
Due from custodian	1,092	1,704
Deferred financing costs	2,600	2,355
Other assets	2,164	1,086
Total assets	\$ 338,426	\$ 330,694
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$62,950 and \$61,250, respectively)	\$ 62,950	\$ 61,701
Secured borrowing	5,096	5,000
Total borrowings	68,046	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 as of June 30 and March 31, 2014	40,000	40,000
Accounts payable and accrued expenses	664	665
Fees due to Adviser ^(A)	1,647	1,225
Fee due to Administrator ^(A)	235	224
Other liabilities	993	1,042
Total liabilities	111,585	109,857
Commitments and contingencies ^(B)		
NET ASSETS	\$ 26	\$ 26

Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 26,475,958 shares issued and outstanding as of June 30 and March 31, 2014, respectively		
Capital in excess of par value	286,964	287,062
Cumulative net unrealized depreciation of investments	(63,684)	(69,144)
Cumulative net unrealized depreciation of other	(74)	(525)
Net investment income in excess of distributions	3,807	3,616
Accumulated net realized loss	(198)	(198)
Total net assets	226,841	220,837
Total liabilities and net assets	\$ 338,426	\$ 330,694
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 8.57	\$ 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.

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

	Three Months Ended June 30,	
	2014	2013
INVESTMENT INCOME		
Interest income:		
Non-Control/Non-Affiliate investments	\$ 5,257	\$ 4,677
Affiliate investments	2,616	458
Control investments	530	2,046
Cash and cash equivalents	1	1
Total interest income	8,404	7,182
Other income:		
Non-Control/Non-Affiliate investments	1,399	216
Affiliate investments	34	
Total other income	1,433	216
Total investment income	9,837	7,398
EXPENSES		
Base management fee ^(A)	1,666	1,549
Loan servicing fee ^(A)	1,135	1,024
Incentive fee ^(A)	1,215	165
Administration fee ^(A)	235	243
Interest expense on borrowings	738	477
Dividends on mandatorily redeemable preferred stock	713	713
Amortization of deferred financing costs	254	244
Professional fees	242	120
Other general and administrative expenses	297	365
Expenses before credits from Adviser	6,495	4,900
Credit of loan servicing fee ^(A)	(1,135)	(1,024)
Other credits to fee ^(A)	(382)	(511)
Total expenses net of credits to fees	4,978	3,365
NET INVESTMENT INCOME	\$ 4,859	\$ 4,033

UNREALIZED GAIN (LOSS)

Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	445	(8,837)
Affiliate investments	1,342	(4,232)
Control investments	3,673	1,663
Other	451	854
Total net unrealized appreciation (depreciation)	5,911	(10,552)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 10,770	\$ (6,519)
BASIC AND DILUTED PER COMMON SHARE:		
Net investment income	\$ 0.18	\$ 0.15
Net increase (decrease) in net assets resulting from operations	\$ 0.41	\$ (0.25)
Dividends declared and paid	\$ 0.18	\$ 0.15
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic and diluted	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.

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2014	2013
OPERATIONS:		
Net investment income	\$ 4,859	\$ 4,033
Net unrealized appreciation (depreciation) of investments	5,460	(11,406)
Net unrealized appreciation of other	451	854
Net increase (decrease) in net assets from operations	10,770	(6,519)
DISTRIBUTIONS TO COMMON STOCKHOLDERS:	(4,766)	(3,972)
Total increase (decrease) in net assets	6,004	(10,491)
Net assets at beginning of period	220,837	240,963
Net assets at end of period	\$ 226,841	\$ 230,472

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	\$ 10,770	\$ (6,519)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(2,010)	(35,590)
Principal repayments of investments	60	2,340
Increase in investment balance due to paid in kind interest	(29)	(1)
Net unrealized (appreciation) depreciation of investments	(5,460)	11,406
Net unrealized appreciation of other	(451)	(854)
Amortization of deferred financing costs	254	244
Increase in restricted cash	(1)	
Increase in interest receivable	(362)	(360)
Decrease (increase) in due from custodian	612	(1)
(Increase) decrease in other assets	(1,078)	451
(Decrease) increase in accounts payable and accrued expenses	(48)	89
Increase (decrease) in fees due to Adviser ^(A)	422	(1,620)
Increase in administration fee due to Administrator ^(A)	11	22
Decrease in other liabilities	(49)	(56)
Net cash provided by (used in) operating activities	2,641	(30,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans		26,009
Repayments on short-term loans		(58,016)
Proceeds from line of credit	6,300	28,500
Repayments on line of credit	(4,600)	(10,500)
Proceeds from secured borrowing	96	
Payment of deferred financing costs	(452)	(978)
Distributions paid to common stockholders	(4,766)	(3,972)
Net cash used in financing activities	(3,422)	(18,957)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(781)	(49,406)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,553	85,904
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,772	\$ 36,498

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

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(K):					
Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Senior Subordinated Term Debt (11.5%, Due 3/2015) ^(I) Preferred Stock (898,814 shares) ^{(C)(F)} Common Stock (418,072 shares) ^{(C)(F)} Common Stock Warrants (465,639 shares) ^{(C)(F)}	\$ 14,500	\$ 14,500 6,984 1,045 25 22,554	\$ 14,500 12,396 426 27,322
Auto Safety House, LLC	Automobile	Revolving Credit Facility, \$1,000 available (7.0%, Due 10/2018) ^{(D)(I)} Guaranty (\$500) ^(J) Guaranty (\$250) ^(J)	5,000	5,000 5,000	4,919 4,919
B-Dry, LLC	Buildings and Real Estate	Line of Credit, \$0 available (6.5%, Due 5/2015) ^(D) Senior Term Debt (13.5%, Due 5/2015) ^(D) Senior Term Debt (13.5%, Due 5/2015) ^(D) Common Stock Warrants (85 shares) ^{(C)(F)}	750 6,433 2,840	750 6,443 2,840 300 10,333	563 4,864 2,137 7,564
Cavert II Holding Corp.	Containers, Packaging, and Glass	Preferred Stock (18,446 shares) ^{(C)(F)}		1,845	3,081

				1,845	3,081
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	3,515
		Guaranty (\$2,000)			
		Guaranty (\$831)			
				11,725	7,515
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	2,107
		Common Stock (5,372 shares) ^{(C)(F)}		63	
				14,351	13,020
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	1,551
		Common Stock (152 shares) ^{(C)(F)}		152	108
				14,025	14,159
Funko, LLC	Personal and Non-Durable Consumer Products (Manufacturing Only)	Senior Subordinated Term Debt (12.0% and 1.5% PIK, Due 5/2019) ^(D)	7,616	7,616	7,768
		Preferred Stock (1,305 shares) ^{(C)(F)}		1,305	2,596
				8,921	10,364

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

Table of Contents**GLADSTONE INVESTMENT CORPORATION****CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****June 30, 2014****(DOLLAR AMOUNTS IN THOUSANDS)****(UNAUDITED)**

Company^(A)	Industry	Investment^(B)	Principal	Cost	Fair Value
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	1,019
		Common Stock (63,747 shares) ^{(C)(F)}		8	
				22,891	14,319
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	3,908
		Common Stock (548 shares) ^{(C)(F)}		94	2,054
				14,650	16,962
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	5,576
			9,379	14,178	
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Subordinated Term Debt (13.0%, Due 10/2016) ^{(D)(I)}	\$ 13,560	\$ 13,560	\$ 12,882
		Preferred Stock (27,900 shares) ^{(C)(F)}		2,790	
		Common Stock (27,900 shares) ^{(C)(F)}		28	
			16,378	12,882	
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	134
		Common Stock (90,909 shares) ^{(C)(F)}		91	

				7,617	5,751
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
		Preferred Stock (19,935 shares) ^{(C)(F)}		1,994	584
		Common Stock (221,500 shares) ^{(C)(F)}		221	
				13,570	11,939

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

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GLADSTONE INVESTMENT CORPORATION

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
Whysling Investments, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.0%, Due 8/2017) Preferred Stock (4,000 shares) ^{(C)(F)}	13,081	13,081 4,000	13,081 13,081
Star Seed, Inc.	Farming and Agriculture	Senior Term Debt (12.5%, Due 4/2018) Preferred Stock (1,499 shares) ^{(C)(F)} Common Stock (600 shares) ^{(C)(F)}	7,500	7,500 1,499 1	7,500 7,500
Total Non-Control/Non-Affiliate Investments (represents 58.8% of total investments at fair value)				\$ 202,717	\$ 189,309
AFFILIATE INVESTMENTS^(L):					
Alloy Die Casting Corp.	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018) ^(D) Preferred Stock (4,064 shares) ^{(C)(F)} Common Stock (630 share) ^{(C)(F)}	\$ 12,215	\$ 12,215 4,064 41	\$ 12,230 900
ehrens Manufacturing, LLC	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.0%, Due 12/2018) Preferred Stock (2,923 shares) ^{(C)(F)}	9,975	9,975 2,922	9,975 3,232
hannel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) ^{(C)(F)} Common Stock (2,279,020 shares) ^{(C)(F)}		2,864	2,353
				2,864	2,353

anaco acquisition corp.	Diversified/Conglomerate Manufacturing	Line of Credit, \$500 available (4.0%, Due 8/2015) ^(D)	3,850	3,850	578
		Senior Term Debt (4.0%, Due 8/2015) ^(D)	2,575	2,575	386
		Senior Term Debt (4.0%, Due 8/2015) ^(D)	8,795	8,795	1,319
		Senior Term Debt (5.0%, Due 8/2015) ^{(D)(E)}	1,150	1,150	173
		Preferred Stock (25 shares) ^{(C)(F)}		2,500	
		Common Stock (1,241 shares) ^{(C)(F)}		3	
			18,873	2,456	
Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	Line of Credit, \$345 available (10.5%, Due 8/2014) ^(D)	1,155	1,155	1,156
		Senior Term Debt (12.5%, Due 2/2019) ^(D)	9,300	9,300	9,335
		Senior Subordinated Term Debt (13.75%, Due 2/2019) ^(D)	2,400	2,400	2,412
		Preferred Stock (3,474 shares) ^{(C)(F)}		3,474	4,192
				16,329	17,095

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
Head Country Food Products, Inc.	Beverage, Food and Tobacco	Line of Credit, \$500 available (10.0%, Due 8/2014)			
		Senior Term Debt (12.5%, Due 2/2019)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) ^{(C)(F)}		4,000	2,156
				13,050	11,206
Meridian Rack & Pinion, Inc.	Automobile	Senior Term Debt (13.5%, Due 12/2018) ^(D)	\$ 9,660	\$ 9,660	\$ 9,684
		Preferred Stock (3,381 shares) ^{(C)(F)}		3,381	3,552
				13,041	13,236
NDLI Inc.	Cargo Transport	Line of Credit, \$0 available (10.5%, Due 1/2015) ^(D)	800	800	640
		Senior Term Debt (11.0%, Due 1/2015) ^(D)	7,227	7,227	5,782
		Senior Term Debt (10.5%, Due 1/2015) ^(D)	3,650	3,650	2,920
		Senior Term Debt (10.5%, Due 1/2015) ^{(D)(E)}	3,650	3,650	2,920
		Preferred Stock (2,600 shares) ^{(C)(F)}		2,600	
		Common Stock (545 shares) ^{(C)(F)}			
				17,927	12,262
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	6,987

				28,148	25,386
Tread Corp.	Oil and Gas	Line of Credit, \$29 available (12.5%, Due 2/2015) ^{(G)(I)}	3,221	3,221	
		Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(I)}	5,000	5,000	
		Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(I)}	2,750	2,750	
		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	
				16,318	
Total Affiliate Investments (represents 34.3% of total investments at fair value)				\$ 155,767	\$ 110,337
CONTROL INVESTMENTS^(M):					
Galaxy Tool Holding Corp.	Aerospace and Defense	Senior Subordinated Term Debt (13.5%, Due 8/2017)	\$ 15,520	\$ 15,520	\$ 15,520
		Preferred Stock (6,039,387 shares) ^{(C)(F)}		11,464	6,666
		Common Stock (88,843 shares) ^{(C)(F)}		48	
Total Control Investments (represents 6.9% of total investments at fair value)				\$ 27,032	\$ 22,186
TOTAL INVESTMENTS				\$ 385,516	\$ 321,832

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

- (A) Certain of the securities listed above are issued by affiliate(s) of the indicated portfolio company.
- (B) Percentages represent the weighted average cash interest rates in effect at June 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) Fair value was based on an internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc.
- (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) Subsequent to June 30, 2014, the guarantee was extinguished.
- (K) 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.
- (L) 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.
- (M) 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.

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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	12,2611
		Preferred Stock (4,064 shares) ^{(C)(F)}		4,064	1,948
		Common Stock (630 share) ^{(C)(F)}		41	
				16,320	14,209
Auto Safety House, LLC	Automobile	Revolving Credit Facility, \$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	Buildings and Real Estate	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
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

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
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)			
		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)}		777	4,895
				9,379	13,497
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Subordinated Term Debt (13.0%, Due 10/2016) ^{(D)(K)}	\$ 13,560	\$ 13,560	\$ 13,628
		Preferred Stock (27,900 shares) ^{(C)(F)}		2,790	1,086
		Common Stock (27,900 shares) ^{(C)(F)}		28	
				16,378	14,714
Noble Logistics, Inc.	Cargo Transport	Line of Credit, \$0 available (10.5%, Due 1/2015) ^(D)	800	800	204
		Senior Term Debt (11.0%, Due 1/2015) ^(D)	7,227	7,227	1,842
		Senior Term Debt (10.5%, Due 1/2015) ^(D)	3,650	3,650	931
		Senior Term Debt (10.5%, Due 1/2015) ^{(D)(E)}	3,650	3,650	931
				15,327	3,908
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	
		Common Stock (90,909 shares) ^{(C)(F)}		91	
				7,617	5,617

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares) ^{(C)(F)}		3,397	5,056
				3,397	5,056
SBS, Industries, LLC	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Senior Term Debt (14.0%, Due 8/2016)	11,355	11,355	11,355
		Preferred Stock (19,935 shares) ^{(C)(F)}		1,994	1,064
		Common Stock (221,500 shares) ^{(C)(F)}		221	
				13,570	12,419
Schylling Investments, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.0%, Due 8/2017) ^(D)	13,081	13,081	13,228
		Preferred Stock (4,000 shares) ^{(C)(F)}		4,000	
				17,081	13,228
Star Seed, Inc.	Farming and Agriculture	Senior Term Debt (12.5%, Due 4/2018) ^(D)	7,500	7,500	7,594
		Preferred Stock (1,499 shares) ^{(C)(F)}		1,499	
		Common Stock (600 shares) ^{(C)(F)}		1	
				9,000	7,594
Total Non-Control/Non-Affiliate Investments (represents 65.4% of total investments at fair value)				\$ 233,895	\$ 205,440
AFFILIATE INVESTMENTS^(M):					
Behrens Manufacturing,	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.0%, Due 12/2018)	\$ 9,975	\$ 9,975	\$ 9,975

LLC		Preferred Stock (2,923 shares) ^{(C)(F)}	2,922	2,754
			12,897	12,729
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) ^{(C)(F)}	2,864	3,122
		Common Stock (2,279,020 shares) ^{(C)(F)}		
			2,864	3,122
Danco Acquisition Corp.	Diversified/Conglomerate Manufacturing	Line of Credit, \$700 available (4.0%, Due 8/2015) ^(D)	3,450	3,450
		Senior Term Debt (4.0%, Due 8/2015) ^(D)	2,575	2,575
		Senior Term Debt (4.0%, Due 8/2015) ^(D)	8,795	8,795
		Senior Term Debt (5.0%, Due 8/2015) ^{(D)(E)}	1,150	1,150
		Preferred Stock (25 shares) ^{(C)(F)}		2,500
		Common Stock (1,241 shares) ^{(C)(F)}		3
			18,473	3,200

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	Line of Credit, \$705 available (10.5%, Due 8/2014) ^(H)	795	795	795
		Senior Term Debt (12.5%, Due 2/2019) ^(H)	9,300	9,300	9,300
		Senior Subordinated Term Debt (13.5%, Due 2/2019) ^(H)	2,400	2,400	2,400
		Preferred Stock (3,474 shares) ^{(C)(F)(H)}		3,474	3,474
				15,969	15,969
Head Country Food Products, Inc.	Beverage, Food and Tobacco	Line of Credit, \$500 available (10.0%, Due 8/2014) ^(H)			
		Senior Term Debt (12.5%, Due 2/2019) ^(H)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) ^{(C)(F)(H)}		4,000	4,000
				13,050	13,050
Meridian Rack & Pinion, Inc.	Automobile	Senior Term Debt (13.5%, Due 12/2018) ^(D)	\$ 9,660	\$ 9,660	\$ 9,672
		Preferred Stock (3,381 shares) ^{(C)(F)}		3,381	3,468
				13,041	13,140
SOG Specialty K&T, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.3%, Due 8/2016)	6,200	6,200	6,200
		Senior Term Debt (14.8%, Due 8/2016)	12,199	12,199	12,199
		Preferred Stock (9,749 shares) ^{(C)(F)}		9,749	8,240
				28,148	26,639
Tread Corp.	Oil and Gas	Line of Credit, \$779 available (12.5%, Due 6/2014) ^{(G)(K)}	2,471	2,471	
			5,000	5,000	

Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(K)}		
Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(K)}	2,750	2,750
Senior Subordinated Term Debt (12.5%, Due 2/2015) ^{(G)(K)}	1,000	1,000
Senior Subordinated Term Debt (12.5%, Due on Demand) ^{(G)(K)}	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
		15,568

Total Affiliate Investments (represents 27.9% of total investments at fair value)	\$ 120,010	\$ 87,849
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
CONTROL INVESTMENTS^(N):					
Galaxy Tool Holding Corp.	Aerospace and Defense	Senior Subordinated Term Debt (13.5%, Due 8/2017)	\$ 15,520	\$ 15,520	\$ 15,520
		Preferred Stock (6,039,387 shares) ^{(C)(F)}		11,464	2,992
		Common Stock (88,843 shares) ^{(C)(F)}		48	
				27,032	18,512
NDLI Acquisition Inc.	Cargo Transport	Preferred Stock (2,600 shares) ^{(C)(F)}		2,600	2,592
		Common Stock (545 shares) ^{(C)(F)}			
				2,600	2,592
Total Control Investments (represents 6.7% of total investments at fair value)				\$ 29,632	\$ 21,104
TOTAL INVESTMENTS^(J)				\$ 383,537	\$ 314,393

^(A) Certain of the securities listed above are issued by affiliate(s) of the indicated portfolio company.

^(B) Percentages represent the weighted average cash interest rates in effect at March 31, 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) Fair value based primarily on opinions of value submitted by Standard & Poor's Securities Evaluations, Inc. as of March 31, 2014.

^(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) New proprietary portfolio investment valued at cost, as it was determined that the price paid during the three months ended March 31, 2014 best represents fair value as of March 31, 2014.
- (I) \$5 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.
- (J) Cumulative gross unrealized depreciation for federal income tax purposes is \$83,197; cumulative gross unrealized appreciation for federal income tax purposes is \$13,913. Cumulative net unrealized depreciation is \$69,284, based on a tax cost of \$383,677.
- (K) Debt security has a fixed interest rate.
- (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.

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GLADSTONE INVESTMENT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND AS OTHERWISE INDICATED)

NOTE 1. ORGANIZATION

Gladstone Investment Corporation (Gladstone Investment) was incorporated under the General Corporation Law of the State of Delaware on February 18, 2005, and completed an initial public offering on June 22, 2005. The terms the Company, we, our and us all refer to Gladstone Investment and its consolidated subsidiaries. We are an externally advised, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, we have elected to be treated for tax purposes as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). We were established for the purpose of investing in debt and equity securities of established private businesses in the United States (U.S.). Debt investments primarily come in the form of three types of loans: senior term loans, senior subordinated loans and junior subordinated debt. Equity investments primarily take the form of preferred or common equity (or warrants or options to acquire the foregoing), often in connection with buyouts and other recapitalizations. Our investment objectives are: (a) to achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time, and (b) to provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. We aim to maintain a portfolio allocation of approximately 80% debt investments and 20% equity investments, at cost.

Gladstone Business Investment, LLC (Business Investment), a wholly-owned subsidiary of ours, was established on August 11, 2006 for the sole purpose of owning our portfolio of investments in connection with our line of credit. The financial statements of Business Investment are consolidated with those of Gladstone Investment. We also have significant subsidiaries whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), an affiliate of ours and a Securities and Exchange Commission (SEC) registered investment adviser, pursuant to an investment advisory agreement and management agreement. Administrative services are provided by Gladstone Administration, LLC (the Administrator), an affiliate of ours and the Adviser, pursuant to an administration agreement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6

and 10 of SEC Regulation S-X. Accordingly, we have omitted certain disclosures accompanying annual financial statements prepared in accordance with GAAP. The accompanying condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. Under Article 6 of Regulation S-X, and the authoritative accounting guidance provided by the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are not required to consolidate any portfolio company investments, including those in which we have a controlling interest. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The

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results of operations for the three months ended June 30, 2014, are not necessarily indicative of results that ultimately may be achieved for the year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended March 31, 2014, as filed with the SEC on May 13, 2014.

Our fiscal year-end *Condensed Consolidated Statement of Assets and Liabilities* presented in this Form 10-Q was derived from audited financial statements, but does not include all disclosures required by GAAP.

Revisions

Certain amounts in the prior year's financial statements have been revised to correct the presentation for the three months ended June 30, 2014 with no effect on our financial condition or results of operations. Certain amounts that were revised relate to our change in the classification of certain of our investments between control, affiliate and non-control/non-affiliate. The general change in the definitions from prior reported periods to the three months ended June 30, 2014, relate to the use of voting equity securities as the primary determinate of classification compared to the use of both voting and non-voting equity securities in prior periods.

Other revisions related to the net presentation of certain fees in our results of operations. Our Adviser services, administers and collects on the loans held by Business Investment, in return for which our Adviser receives a 2% annual fee from Business Investment. All loan servicing fees are credited back to us by our Advisor. Previously, we incorrectly presented the loan servicing fee on a net basis, which is zero because it is 100% credited back to us. We have revised our fee presentation related to these loan servicing fees to reflect the gross fee and related gross credit amounts.

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Management evaluated these errors in presentation and concluded they were not material to the previously issued financial statements for the three months ended June 30, 2013. The impact of the revisions are shown in the table below:

	Three Months Ended June 30, 2013	
	As Previously Reported	As Revised
Interest income		
Non-Control/Non-Affiliate investments	\$ 436	\$ 4,677
Affiliate investments	1,108	458
Control investments	5,637	2,046
Cash and cash equivalents	1	1
Total interest income	7,182	7,182
Other income		
Non-Control/Non-Affiliate investments		216
Control investments	216	
Total other income	216	216
Expenses		
Non-revised expenses, in aggregate	3,876	3,876
Loan servicing fee		1,024
Expenses before credits from Adviser	3,876	4,900
Credit of loan servicing fee		(1,024)
Other credits to fee	(511)	(511)
Total expenses net of credits to fees	3,365	3,365
Net unrealized (depreciation) appreciation		
Non-Control/Non-Affiliate investments	(3,010)	(8,837)
Affiliate investments	878	(4,232)
Control investments	(9,274)	1,663
Other	854	854
Total net unrealized (depreciation) appreciation	\$ (10,552)	\$ (10,552)

*Investment Valuation Policy***Accounting Recognition**

We record our investments at fair value in accordance with the Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference

between the net proceeds from the repayment or sale and amortized cost basis of the investment, without regard to unrealized depreciation or appreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized depreciation or appreciation primarily reflect the change in investment fair values, including the reversal of previously recorded unrealized depreciation or appreciation when gains or losses are realized.

Board Responsibility

In accordance with the 1940 Act, our board of directors (our Board of Directors) has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on our established investment valuation policy (the Policy). Our Board of Directors reviews valuation recommendations that are provided by

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professionals of the Adviser and Administrator with oversight and direction from the Valuation Officer, employed by the Administrator (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the Valuation Officer, uses the Policy, which has been approved by our Board of Directors, and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently.

Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments. Currently, the third-party service provider Standard & Poor's Securities Evaluation, Inc. (SPSE) provides estimates of fair value on the majority of our debt investments.

The Valuation Team generally assigns SPSE's estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE's estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team's estimates of value on a specific debt investment may significantly differ from SPSE's. When this occurs, our Board of Directors reviews whether the Valuation Team has followed the Policy and whether the Valuation Team's recommended value is reasonable in light of the Policy and other facts and circumstances and then votes to accept or reject the Valuation Team's recommended valuation.

Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company's ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization (EBITDA)); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries; and other pertinent factors. To gather information regarding these factors, the Valuation Team generally references industry statistics and may use outside experts. Once the TEV is determined for a portfolio company, the Valuation Team then allocates the TEV to the portfolio company's securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses the DCF to calculate the TEV to corroborate estimates of value for our equity investments, where we do not have the ability to effectuate a sale of a portfolio

company or for debt of credit impaired portfolio companies.

Yield Analysis The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team's own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and

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interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new debt and equity investments made during the three months ended June 30, 2014 are generally valued at original cost basis. Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate from period to period. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which it is recorded.

Refer to Note 3 *Investments* for additional information regarding fair value measurements and our application of ASC 820.

Interest Income Recognition

Interest income, adjusted for amortization of premiums, amendment fees and acquisition costs and the accretion of discounts, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past-due principal and interest are paid, and, in management's judgment, are likely to remain current, or due to a restructuring, the interest income is deemed to be collectible. As of June 30, 2014, our loans to Tread Corp. (Tread) were on non-accrual, with an aggregate debt cost basis of \$12.5 million, or 4.5% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$0. As of March 31, 2014, our loans to Tread were on non-accrual, with an aggregate debt cost basis of \$11.7 million, or 4.2% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$0.

PIK interest, computed at the contractual rate specified in the loan agreement, is added to the principal balance of the loan and recorded as interest income. During the three months ended June 30, 2014, we recorded PIK income of \$29. During the three months ended June 30, 2013, we recorded PIK income of \$10.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company. We did not record any success fee income during the three months ended June 30, 2014. We recorded \$0.2 million of success fees during the three months ended June 30, 2013, representing prepayments received from Mathey Investments, Inc. (Mathey).

We accrue dividend income on preferred and common equity securities to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash or other consideration. For the

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three months ended June 30, 2014, we recorded \$1.4 million of dividend income primarily consisting of a receivable from Mathey. We collected the Mathey dividend receivable on July 1, 2014. We did not record any dividend income during the three months ended June 30, 2013.

Both dividends and success fees are recorded in Other income in our accompanying *Condensed Consolidated Statements of Operations*.

Recent Accounting Pronouncements

In June 2013, the FASB issued ASU 2013-08, Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements, which amends the criteria that define an investment company and clarifies the measurement guidance and requires new disclosures for investment companies. Under ASU 2013-08, an entity already regulated under the 1940 Act is automatically an investment company under the new GAAP definition, so there was no impact from adopting this standard on our financial position or results of operations. We adopted ASU 2013-08 beginning with our quarter ended June 30, 2014, and have increased our disclosure requirements as necessary.

NOTE 3. INVESTMENTS***Fair Value***

In accordance with ASC 820, our investments' fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team's own assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement.

However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. As of June 30 and March 31, 2014, all of our investments were valued using Level 3 inputs and during the three months ended June 30, 2014 and 2013, there were no investments transferred in to or out of Level 1, 2 or 3.

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The following table presents our investments carried at fair value as of June 30 and March 31, 2014, by caption on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and by security type and input level on the ASC 820 fair value hierarchy:

	Total Recurring Fair Value Measurement Reported in <i>Condensed Consolidated Statements of Assets and Liabilities</i>	
	June 30, 2014	March 31, 2014
Non-Control/Non-Affiliate Investments		
Senior debt	\$ 93,052	\$ 109,479
Senior subordinated debt	52,450	52,907
Preferred equity	30,890	32,259
Common equity/equivalents	12,917	10,795
Total Non-Control/Non-Affiliate Investments	189,309	205,440
Affiliate Investments		
Senior debt	84,547	60,391
Senior subordinated debt	2,412	2,400
Preferred equity	23,379	25,058
Total Affiliate Investments	110,338	87,849
Control Investments		
Senior subordinated debt	15,520	15,520
Preferred equity	6,665	5,584
Total Control Investments	22,185	21,104
Total Investments at fair value using Level 3 inputs	\$ 321,832	\$ 314,393

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In accordance with the FASB's ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)*, (ASU 2011-04), the following table provides quantitative information about our Level 3 fair value measurements of our investments as of June 30 and March 31, 2014. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt-related calculations and on the cost basis for all equity-related calculations for the particular input.

Quantitative Information about Level 3 Fair Value Measurements									
	Fair Value of of June 30, 2014	Fair Value of of March 31, 2014	Valuation Technique/ Methodology	Unobservable Input	Range / Weighted Average as of June 30, 2014		Range / Weighted Average as of March 31, 2014		
Senior debt	\$ 117,993	\$ 115,081	TEV	EBITDA multiples	3.6x	7.0x / 5.1x	4.6x	7.3x / 5.6x	
				EBITDA	\$(606)	\$5,906 / \$3,359	\$1,558	\$6,230 / \$3,600	
	59,606	54,789	Yield Analysis	Discount Rate	8%	30% / 20%	8%	30% / 19%	
Senior subordinated debt	47,320	49,470	TEV	EBITDA multiples	4.1x	7.0x / 5.7x	4.1x	7.3x / 5.0x	
				EBITDA	\$(606)	\$5,112 / \$3,830	\$36	\$6,156 / \$4,159	
	23,062	21,357	Yield Analysis	Discount Rate	13%	16% / 15%	13%	13% / 13%	
Preferred equity	60,934	62,901	TEV	EBITDA multiples	3.6x	8.6x / 5.7x	3.5x	8.5x / 5.1x	
				EBITDA	\$(606)	\$10,668 / \$3,933	\$36	\$10,621 / \$4,260	
Common equity/equivalents	12,917	10,795	TEV	EBITDA multiples	3.5x	18.0x / 11.6x	3.4x	16.0x / 10.5x	
				EBITDA	\$(606)	\$9,300 / \$6,181	\$36	\$10,621 / \$6,008	
Total	\$ 321,832	\$ 314,393							

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in market yields, discounts rates, leverage, EBITDA or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of our investments. Generally, an increase in market yields, discount rates or leverage or a decrease in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a decrease in the fair value of certain of our investments.

The following tables provide the changes in fair value, broken out by security type, during the three months ended June 30, 2014 and 2013 for all of our investments.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Senior Debt	Senior Subordinated Debt	Preferred Equity	Common Equity/ Equivalents	Total
Three months ended June 30, 2014:					
Fair value as of March 31, 2014	\$ 169,870	\$ 70,827	\$ 62,901	\$ 10,795	\$ 314,393
Total gain (loss):					
Net unrealized appreciation (depreciation) ^(A)	6,219	(724)	(2,157)	2,122	5,460
New investments, repayments and settlements ^(B) :					
Issuances / Originations	1,510	279	250		2,039
Settlements / Repayments			(60)		(60)
Fair value as of June 30, 2014	\$ 177,599	\$ 70,382	\$ 60,934	\$ 12,917	\$ 321,832

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	Senior Debt	Senior Subordinated Debt	Preferred Equity	Common Equity/ Equivalents	Total
Three months ended June 30, 2013:					
Fair value as of March 31, 2013	\$ 103,882	\$ 86,811	\$ 82,157	\$ 13,632	\$ 286,482
Total (losses) gains:					
Net unrealized depreciation ^(A)	(3,842)	(943)	(3,922)	(2,699)	(11,406)
New investments, repayments and settlements ^(B) :					
Issuances / Originations	20,690	8,501	6,306	94	35,591
Settlements / Repayments	(1,940)	(400)			(2,340)
Fair value as of June 30, 2013	\$ 118,790	\$ 93,969	\$ 84,541	\$ 11,027	\$ 308,327

(A) Included in Net unrealized (depreciation) appreciation on our accompanying *Condensed Consolidated Statements of Operations* for the periods ended June 30, 2014 and 2013.

(B) Includes increases in the cost basis of investments resulting from new portfolio investments, the amortization of discounts, PIK and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs, and other cost-basis adjustments.

Investment Activity

During the three-months ended June 30, 2014, the following significant transaction occurred:

In May 2014, NDLI Acquisition Inc. completed the purchase of certain of Noble Logistics, Inc.'s assets out of bankruptcy. The resulting entity was listed as one portfolio company under NDLI Inc. on our *Condensed Consolidated Schedules of Investments* as of June 30, 2014.

Investment Concentrations

As of June 30, 2014, our investment portfolio consisted of investments in 28 portfolio companies located in 14 states across 14 different industries with an aggregate fair value of \$321.8 million, of which our investments in Acme Cryogenics, Inc. (Acme), SOG Specialty K&T, LLC (SOG), and Galaxy Tool Holdings Corp. (Galaxy), our three largest portfolio investments at fair value, collectively comprised \$74.9 million, or 23.3%, of our total investment portfolio at fair value. The following table summarizes our investments by security type as of June 30 and March 31, 2014:

	June 30, 2014				March 31, 2014			
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Senior debt	\$ 197,053	51.1%	\$ 177,599	55.2%	\$ 196,293	51.2%	\$ 169,870	54.0%
Senior subordinated debt	83,377	21.6	70,382	21.9	82,348	21.5	70,827	22.5

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Total debt	280,430	72.7	247,981	77.1	278,641	72.7	240,697	76.5
Preferred equity	98,289	25.5	60,934	18.9	98,099	25.6	62,901	20.0
Common equity/equivalents	6,797	1.8	12,917	4.0	6,797	1.7	10,795	3.5
Total equity/equivalents	105,086	27.3	73,851	22.9	104,896	27.3	73,696	23.5
Total Investments	\$ 385,516	100.0%	\$ 321,832	100.0%	\$ 383,537	100.0%	\$ 314,393	100.0%

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Investments at fair value consisted of the following industry classifications as of June 30 and March 31, 2014:

	June 30, 2014		March 31, 2014	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate				
Manufacturing	\$ 53,998	16.8%	\$ 54,845	17.4%
Chemicals, Plastics, and Rubber	53,223	16.5	52,753	16.8
Leisure, Amusement, Motion Pictures, Entertainment	38,468	12.0	39,867	12.7
Machinery (Non-agriculture, Non-construction, Non-electronic)	26,118	8.1	25,917	8.2
Automobile	25,670	8.0	25,735	8.2
Farming and Agriculture	24,462	7.6	20,557	6.5
Aerospace and Defense	22,186	6.9	18,512	5.9
Home and Office Furnishings, Housewares, and Durable Consumer Products	19,072	5.9	21,188	6.7
Containers, Packaging, and Glass	17,240	5.4	17,889	5.7
Cargo Transport	12,262	3.8	6,500	2.1
Beverage Food and Tobacco	11,206	3.5	13,050	4.2
Personal and Non-Durable Consumer Products (Manufacturing Only)	10,363	3.2	10,005	3.2
Buildings and Real Estate	7,564	2.3	7,575	2.4
Total Investments	\$ 321,832	100.0%	\$ 314,393	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of June 30 and March 31, 2014:

	June 30, 2014		March 31, 2014	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
West	\$ 115,853	36.0%	\$ 117,781	37.5%
South	96,097	29.9	89,915	28.6
Northeast	66,990	20.8	67,862	21.6
Midwest	42,892	13.3	38,835	12.3
Total Investments	\$ 321,832	100.0%	\$ 314,393	100.0%

The geographic region indicates the location of the headquarters for our portfolio companies. A portfolio company may have additional business locations in other geographic regions.

Investment Principal Repayments

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2014:

		Amount
For the remaining nine months ending March 31:	2015	\$ 47,463
For the fiscal year ending March 31:	2016	40,623
	2017	24,915
	2018	70,632
	2019	89,181
	Thereafter	7,616
	Total contractual repayments	\$ 280,430
	Investments in equity securities	105,086
	Total cost basis of investments held at June 30, 2014:	\$ 385,516

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Table of Contents*Receivables from Portfolio Companies*

Receivables from portfolio companies represent non-recurring costs that we incurred on behalf of portfolio companies and are included in other assets on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. We maintain an allowance for uncollectible receivables from portfolio companies, which is determined based on historical experience and management's expectations of future losses. We charge the accounts receivable to the established provision when collection efforts have been exhausted and the receivables are deemed uncollectible. As of June 30 and March 31, 2014, we had gross receivables from portfolio companies of \$0.6 million and \$0.9 million, respectively. The allowance for uncollectible receivables was \$163 as of each of June 30 and March 31, 2014.

NOTE 4. RELATED PARTY TRANSACTIONS*Investment Advisory and Management Agreement*

We entered into an investment advisory and management agreement with the Adviser (the *Advisory Agreement*). The Adviser is controlled by our chairman and chief executive officer. In accordance with the *Advisory Agreement*, we pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee, each as described below. On July 15, 2014, our Board of Directors approved the renewal of the *Advisory Agreement* through August 31, 2015.

The following table summarizes the management fees, loan servicing fee which is paid in accordance to our line of credit, incentive fees and associated credits reflected in our accompanying *Condensed Consolidated Statements of Operations*:

	Three Months Ended June 30,	
	2014	2013
Average total assets subject to base management fee ^(A)	\$ 333,200	\$ 309,800
Multiplied by prorated annual base management fee of 2%	0.5%	0.5%
Base management fee ^(B)	1,666	1,549
Other credits to fee ^(B)	(382)	(511)
Net base management fee	\$ 1,284	\$ 1,038
Loan servicing fee ^(B)	1,135	1,024
Credit of loan servicing fee ^(B)	(1,135)	(1,024)
Net loan servicing fee	\$	\$
Incentive fee ^(B)	\$ 1,215	\$ 165

(A)

Average total assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.

^(B) Reflected as a line item on our accompanying *Condensed Consolidated Statement of Operations*.

Base Management Fee

The base management fee is computed and payable quarterly and is assessed at an annual rate of 2%. It is computed on the basis of the value of our average gross assets at the end of the two most recently completed quarters, which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings. As a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. Although neither

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we nor our Adviser receive fees in connection with managerial assistance, the Adviser provides other services to our portfolio companies and receives fees for these other services. 50% of certain of these fees and 100% of others historically have been credited against the base management fee that we would otherwise be required to pay to our Adviser. Effective October 1, 2013, 100% of all these fees are credited against the base management fee that we would otherwise be required to pay to our Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees are retained by the Adviser in the form of reimbursement for certain tasks completed by personnel of the Adviser.

Loan Servicing Fee

In addition, our Adviser services, administers and collects on the loans held by Business Investment, in return for which our Adviser receives a 2% annual fee payable monthly by Business Investment based on the monthly aggregate balance of loans held by Business Investment in accordance with our line of credit. All loan servicing fees are credited back to us by our Adviser. Overall, the base management fee due to our Adviser cannot exceed 2% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given fiscal year.

Incentive Fee

The incentive fee consists of two parts: an income-based incentive fee and a capital gains-based incentive fee. The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets (the hurdle rate). We will pay the Adviser an income-based incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate (7.0% annualized);

100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and

20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that will be determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date) and equals 20% of our realized capital gains as of the end of the fiscal year. In determining the capital gains-based incentive fee payable to the Adviser, we will calculate the cumulative aggregate realized capital gains and cumulative aggregate realized capital losses since our inception, and the aggregate net unrealized capital depreciation as of the date of the calculation, as applicable, with respect to each of the investments in our portfolio. For this purpose, cumulative aggregate realized capital gains, if any, equals the sum of the differences between the net sales price of each investment, when sold, and the original cost of such investment since our inception. Cumulative aggregate realized capital losses equals the sum of the amounts by which the net sales price of each investment, when sold, is less than the original cost of such investment since our inception. Aggregate net unrealized capital depreciation equals the sum of the difference, if negative, between the valuation of each investment as of the applicable calculation date and the original cost of such investment. At the end of the applicable year, the amount of capital gains that serves as

the basis for our calculation of the capital gains-based incentive fee equals the cumulative aggregate realized capital gains less cumulative aggregate realized capital losses, less aggregate net unrealized capital depreciation, with respect to our portfolio of investments. If this number is positive at the end of such year, then the capital gains-based incentive fee for such year equals 20% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. No capital gains-based incentive fee has been recorded since our inception through June 30, 2014, as cumulative net unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

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Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains-based incentive fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires us to record a capital gains-based incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. GAAP requires that the capital gains-based incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that such unrealized capital appreciation will be realized in the future. No GAAP accrual for a capital gains-based incentive fee has been recorded since our inception through June 30, 2014.

Administration Agreement

We have entered into an administration agreement (the *Administration Agreement*) with the Administrator, whereby we pay separately for administrative services. The Administration Agreement provides for payments equal to our allocable portion of the Administrator's overhead expenses in performing its obligations under the Administration Agreement, including, but not limited to, rent and the salaries and benefits expenses of our chief financial officer and treasurer, chief compliance officer, general counsel and secretary, who also serves as the Administrator's president, and their respective staffs. Our allocable portion of administrative expenses is generally derived by multiplying the Administrator's total allocable expenses by the percentage of our total assets at the beginning of the quarter in comparison to the total assets at the beginning of the quarter of all funds serviced by the Administrator under similar agreements. On July 15, 2014, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2015.

Related Party Fees Due

Amounts due to related parties on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* were as follows:

	As of June 30, 2014	As of March 31 2014
Base management fee due to Adviser	\$ 424	\$ 63
Incentive fee due to Adviser	1,215	1,161
Other due to Adviser	8	1
Total fees due to Adviser	\$ 1,647	\$ 1,225
Fee due to Administrator	\$ 235	\$ 224
Total related party fees due	\$ 1,882	\$ 1,449

NOTE 5. BORROWINGS*Line of Credit*

On June 26, 2014, we, through our wholly-owned subsidiary, Business Investment, entered into Amendment No. 1 to the Fifth Amended and Restated Credit Agreement originally entered into on April 30, 2013, with Key Equipment Finance Inc., as administrative agent, lead arranger and a lender (the Administrative Agent), Branch Banking and Trust Company (BB&T) as a lender and managing agent, and the Adviser, as servicer, to extend the revolving period and reduce the interest rate of the line of credit (the Credit Facility). The revolving period was extended 14 months to June 26, 2017, and if not renewed or extended by June 26, 2017, all principal and interest will be due and payable on or before June 26, 2019 (two years after the revolving period end date). In addition, we have retained the two one-year extension options, to be agreed upon by all parties, which may be

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exercised on or before June 26, 2015 and 2016, respectively, and upon exercise, the options would extend the revolving period to June 26, 2018 and 2019 and the maturity date to June 26, 2020 and 2021, respectively. Subject to certain terms and conditions, the Credit Facility can be expanded by up to \$145 million, to a total facility amount of \$250 million, through additional commitments of existing or new committed lenders. Advances under the Credit Facility generally bear interest at 30-day LIBOR, plus 3.25% per annum, down from 3.75% prior to the amendment, and the Credit Facility includes a fee of 0.50% on undrawn amounts. Once the revolving period ends, the interest rate margin increases to 3.75% for the period from June 26, 2017 to June 26, 2018, and further increases to 4.25% through maturity. We incurred fees of \$0.4 million in connection with this amendment.

The following tables summarize noteworthy information related to our Credit Facility:

	As of June 30, 2014	As of March 31, 2014
Commitment amount	\$ 105,000	\$ 105,000
Borrowings outstanding at cost	62,950	61,250
Availability	42,050	43,750

	For the Three Months Ended June 30, 2014	2013
Weighted average borrowings outstanding	\$ 60,423	\$ 32,654
Effective interest rate ^(A)	4.3%	4.6%
Commitment (unused) fees incurred	\$ 56	\$ 52

^(A) Excludes the impact of deferred financing fees.

Interest is payable monthly during the term of the Credit Facility. Available borrowings are subject to various constraints imposed under the Credit Facility, based on the aggregate loan balance pledged by Business Investment, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

The Administrative Agent also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with The Bank of New York Mellon Trust Company, N.A as custodian. The Administrative Agent is also the trustee of the account and remits the collected funds to us once a month.

Among other things, our Credit Facility contains covenants that require Business Investment to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict certain material changes to our credit and collection policies without the lenders' consent. Our Credit Facility generally also limits payments on distributions to the aggregate net investment income for each of the twelve month periods ending March 31, 2015, 2016 and 2017. Business Investment is also subject to certain limitations on the type of loan investments it can apply toward available credit in the borrowing base, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life and lien property. Our Credit Facility further requires Business Investment to comply with other financial and operational covenants, which obligate Business Investment to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of obligors required in the borrowing base of the credit

agreement. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth (defined in our Credit Facility to include our mandatory redeemable term preferred stock) of \$170 million plus 50% of all equity and subordinated debt raised after April 30, 2013, which equates to \$170 million as of June 30, 2014, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Section 18 of the 1940 Act and (iii) its status as a BDC under the 1940 Act and as a RIC under the Code. As of

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June 30, 2014, and as defined in the performance guaranty of our Credit Facility, we had a minimum net worth of \$266.8 million, an asset coverage of 300% and an active status as a BDC and RIC. Our Credit Facility requires a minimum of 12 obligors in the borrowing base and, as of June 30, 2014, Business Investment had 21 obligors. As of June 30, 2014, we continued to be in compliance with all covenants.

We have entered into an interest rate cap agreement with Keybank National Association that effectively limits the interest rate on a portion of our borrowings under the line of credit pursuant to the terms of our Credit Facility. The agreement, which expires April 2016, provides that the interest rate on \$45 million of our borrowings is capped at 6%, plus 3.25% per annum, when 30-day LIBOR is in excess of 6%.

Secured Borrowing

In August 2012, we entered into a participation agreement with a third-party related to \$5.0 million of our senior subordinated term debt investment in Ginsey Home Solutions, Inc. (Ginsey). In May 2014, we amended the agreement with the third-party to include an additional \$0.1 million. ASC 860 requires us to treat the participation as a financing-type transaction. Specifically, the third-party has a senior claim to our remaining investment in the event of default by Ginsey which, in part, resulted in the loan participation bearing a rate of interest lower than the contractual rate established at origination. Therefore, our accompanying *Condensed Consolidated Statements of Assets and Liabilities* reflects the entire senior subordinated term debt investment in Ginsey and a corresponding \$5.1 million secured borrowing liability. The secured borrowing has a stated interest rate of 7.0% and a maturity date of January 3, 2018.

Fair Value

We elected to apply ASC 825, Financial Instruments, specifically for our Credit Facility, which was consistent with the application of ASC 820 to our investments. Generally, the Valuation Team estimates the fair value of our Credit Facility using a yield analysis, which includes a DCF calculation, and its own assumptions in the absence of observable market data, including estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. During the three months ended June 30, 2014, due to the closing of an amendment extending the maturity and reducing the rate, amongst other things, cost was deemed to approximate fair value. At each of June 30 and March 31, 2014, all of our borrowings were valued using Level 3 inputs. The following tables present the short-term loan, where applicable, and Credit Facility carried at fair value as of June 30 and March 31, 2014, by caption on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* for Level 3 of the hierarchy established by ASC 820 and a roll-forward of the changes in fair value during the three months ended June 30, 2014 and 2013:

	Level 3 Borrowings	
	Total Recurring Fair Value Measurement	
	Reported in Condensed Consolidated	
	Statements of Assets and Liabilities	
	June 30,	March 31,
	2014	2014
Credit Facility	\$ 62,950	\$ 61,701

**Fair Value Measurements of Borrowings Using Significant Unobservable
Inputs
(Level 3)**

	Credit Facility
Three months ended June 30, 2014:	
Fair value at March 31, 2014	\$ 61,701
Borrowings	6,300
Repayments	(4,600)
Net unrealized depreciation ^(A)	(451)
Fair value at June 30, 2014	\$ 62,950

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	Short-Term Loan	Credit Facility	Total
Three months ended June 30, 2013:			
Fair value at March 31, 2013	\$ 58,016	\$ 31,854	\$ 89,870
Borrowings	26,009	28,500	54,509
Repayments	(58,016)	(10,500)	(68,516)
Net unrealized depreciation ^(A)		(854)	(854)
Fair value at June 30, 2013	\$ 26,009	\$ 49,000	\$ 75,009

^(A) Included in net unrealized (depreciation) appreciation on our accompanying *Condensed Consolidated Statement of Operations* for periods ended June 30, 2014 and 2013.

The fair value of the collateral under our Credit Facility was \$292.0 million and \$288.6 million as of June 30 and March 31, 2014, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In March 2012, we completed a public offering of 1,600,000 shares of 7.125% Series A Cumulative Term Preferred Stock (our Term Preferred Stock) at a public offering price of \$25.00 per share. Gross proceeds totaled \$40 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were \$38 million. We incurred \$2 million in total offering costs related to these transactions, which have been recorded as deferred financing costs on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and will be amortized over the redemption period ending February 28, 2017.

The shares have a redemption date of February 28, 2017, and are traded under the ticker symbol GAINP on the NASDAQ Global Select Market. The Term Preferred Stock is not convertible into our common stock or any other security. The Term Preferred Stock provides for a fixed dividend equal to 7.125% per year, payable monthly. We are required to redeem all of the outstanding Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, three other potential redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Term Preferred Stock, (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of the outstanding Term Preferred Stock or otherwise cure the ratio redemption trigger and (3) at our sole option, at any time on or after February 28, 2016, we may redeem some or all of the Term Preferred Stock.

For three months ended June 30, 2014 and 2013, our Board of Directors declared and paid a monthly distribution of \$0.1484375 per share, or \$0.4453125 per share in aggregate, to preferred stockholders. The tax character of distributions paid by us to preferred stockholders is from ordinary income.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities on the balance sheet and, therefore, the related dividend payments are treated as dividend expense on our accompanying *Condensed Consolidated Statements of Operations* at the ex-dividend date. The fair value of the Term Preferred Stock, which we consider to be a level 1 liability within the fair value hierarchy, based on the last reported closing sale price as of June 30 and March 31, 2014, was \$41.9 million and \$42.4 million, respectively.

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Table of Contents**NOTE 7. COMMONSTOCK***Registration Statement*

We filed a registration statement on Form N-2 (File No. 333-181879) with the SEC on June 4, 2012, and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 17, 2012, which the SEC declared effective on July 26, 2012. On June 7, 2013, we filed Post-Effective Amendment No. 2 to the registration statement, which the SEC declared effective on July 26, 2013. On June 3, 2014, we filed Post-Effective Amendment No. 3 to the registration statement, which has not yet been declared effective. Upon the SEC declaring the registration statement effective we will be permitted to issue, through one or more transactions, up to an aggregate of \$300 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common stock, including through a combined offering of two or more of such securities.

NOTE 8. NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average common share for the three months ended June 30, 2014 and 2013:

	Three Months Ended June 30,	
	2014	2013
Numerator for basic and diluted net increase (decrease) in net assets resulting from operations per common share	\$ 10,770	\$ (6,519)
Denominator for basic and diluted weighted average common shares	26,475,958	26,475,958
Basic and diluted net increase (decrease) in net assets resulting from operations per common share	\$ 0.41	\$ (0.25)

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC under Subtitle A, Chapter 1 of Subchapter M of the Code, we are required to distribute to our stockholders 90% of our investment company taxable income, which is generally our net ordinary income plus the excess of our net short-term capital gains over net long-term capital losses. The amount to be paid out as a distribution is determined by our Board of Directors each quarter and is based on management's estimate of our estimated taxable income. Based on that estimate, our Board of Directors declares three monthly distributions each quarter.

Our Board of Directors declared the following monthly distributions to common stockholders for the three months ended June 30, 2014 and 2013:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2015	April 8, 2014	April 21, 2014	April 30, 2014	\$ 0.06

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	April 8, 2014	May 20, 2014	May 30, 2014		0.06
	April 8, 2014	June 19, 2014	June 30, 2014		0.06
Three months ended June 30, 2014:				\$	0.18
2014	April 9, 2013	April 22, 2013	April 30, 2013	\$	0.05
	April 9, 2013	May 14, 2013	May 31, 2013		0.05
	April 9, 2013	June 19, 2013	June 28, 2013		0.05
Three months ended June 30, 2013:				\$	0.15

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Aggregate common distributions declared quarterly and paid for the three months ended June 30, 2014 and 2013 were approximately \$4.8 million and \$4.0 million, respectively. We determine the tax characterization of our common distributions as of the end of our fiscal year based upon our taxable income for the full year and distributions paid during the full year. Therefore, a determination of tax attributes made on a quarterly basis may not be representative of the actual tax attributes of distributions for a full year. If we determined the tax attributes of our distributions as of June 30, 2014, 100% would be from ordinary income and 0% would be a return of capital. For the three months ended June 30, 2014, we recorded a \$0.1 million adjustment for estimated book-tax differences which decreased Capital in excess of par value and increased Net investment income in excess of distributions. For the fiscal year ended March 31, 2014, taxable income available for common distributions exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat \$3.9 million of the first common distributions paid in fiscal year 2015, as having been paid in the prior year.

NOTE 10. COMMITMENTS AND CONTINGENCIES*Legal Proceedings*

We are party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. Additionally, based on current knowledge, we do not believe such loss contingencies are probable and estimable and therefore, as of June 30, 2014, we have not established reserves for such loss contingencies.

Financial Commitments and Obligations

As of June 30, 2014, we have lines of credit commitments to certain of our portfolio companies that have not been fully drawn. Since these lines of credit have expiration dates and we expect many will never be fully drawn, the total line of credit commitment amounts do not necessarily represent future cash requirements.

In addition to the lines of credit to certain portfolio companies, we have also extended certain guarantees on behalf of some of our portfolio companies. As of June 30, 2014, we have not been required to make any payments on the guarantees discussed below, and we consider the credit risk to be remote and the fair values of the guarantees to be minimal.

In October 2008, we executed a guarantee of a vehicle finance facility agreement (the Ford Finance Facility) between Ford Motor Credit Company (Ford) and ASH. The Ford Finance Facility provides ASH with a line of credit of up to \$0.5 million for component Ford parts used by ASH to build truck bodies under a separate contract. Ford retains title and ownership of the parts. The guarantee of the Ford Finance Facility will expire upon termination of the separate parts supply contract with Ford or upon replacement of us as guarantor. In connection with this guarantee, we received a premium of \$20 from ASH. In July 2014, the Ford Finance Facility was modified and the guarantee was terminated.

In February 2010, we executed a guarantee of a wholesale financing facility agreement (the Floor Plan Facility) between Agricredit Acceptance, LLC (Agricredit) and Country Club Enterprises, LLC (CCE). The Floor Plan Facility provides CCE with financing of up to \$2.0 million to bridge the time and cash flow gap between the order and delivery of golf carts to customers. The guarantee was renewed in February 2011, 2012 and 2013 and expires in February 2014, unless it is renewed again by us, CCE and Agricredit. In connection with this guarantee and its subsequent renewals, we recorded aggregate premiums of \$0.4 million from CCE.

In April 2010, we executed a guarantee of vendor recourse for up to \$2.0 million in individual customer transactions (the Recourse Facility) between Wells Fargo Financial Leasing, Inc. and CCE.

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The Recourse Facility provides CCE with the ability to provide vendor recourse up to a limit of \$2.0 million on transactions with long-time customers who lack the financial history to qualify for third-party financing. The terms to maturity of these individual transactions range from October 2014 to October 2016. In connection with this guarantee, we received aggregate premiums of \$0.1 million from CCE.

In October 2013, we executed a guarantee of a vehicle finance facility agreement (the Compass Finance Facility) between Compass Bank and ASH. The Compass Finance Facility provides ASH with a line of credit of up to \$0.3 million for component Ram parts used by ASH to build truck bodies under a separate contract. The guarantee will expire upon maturity of the Compass Finance Facility on October 16, 2014. In connection with this guarantee, we received a premium of \$10 from ASH. In July 2014, the Compass Finance Facility was modified and the guarantee was terminated.

The following table summarizes the dollar balance of unused line of credit commitments and guarantees as of June 30 and March 31, 2014:

	June 30, 2014	March 31, 2014
Unused line of credit commitments	\$ 2,374	\$ 6,684
Guarantees	3,581	3,628
Total	\$ 5,955	\$ 10,312

Escrow Holdbacks

From time to time, we will enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in restricted cash on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. In August 2013, the sale of Venyu resulted in \$4.9 million in escrow amounts, of which \$0.6 million is held on behalf of the other sellers, which we record in other liabilities on our accompanying *Condensed Consolidated Statements of Assets and Liabilities*. We establish a contingent liability against the escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not be ultimately received at the end of the escrow period. The aggregate contingent liability recorded against the escrow amounts was \$0 and \$35 as of June 30 and March 31, 2014, respectively.

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NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended June 30,	
	2014	2013
<u>Per Common Share Data</u>		
NAV at beginning of period ^(A)	\$ 8.34	\$ 9.10
Net investment income ^(B)	0.18	0.15
Net unrealized appreciation (depreciation) of investments and other ^(B)	0.23	(0.40)
Total from investment operations ^(B)	0.41	(0.25)
Cash distributions from net investment income ^{(B)(C)}	(0.18)	(0.15)
NAV at end of period ^(A)	\$ 8.57	\$ 8.70
Per common share market value at beginning of period	\$ 8.27	\$ 7.31
Per common share market value at end of period	7.40	7.35
Total return ^(D)	(8.40)%	2.61%
Common stock outstanding at end of period	26,475,958	26,475,958
<u>Statement of Assets and Liabilities Data:</u>		
Net assets at end of period	\$ 226,841	\$ 230,472
Average net assets ^(E)	222,719	237,146
<u>Senior Securities Data^(F):</u>		
Total borrowings at cost	\$ 68,046	\$ 80,009
Mandatorily redeemable preferred stock	40,000	40,000
Asset coverage ratio ^(G)	300%	283%
Average coverage per unit ^(H)	\$ 2,995	\$ 2,829
<u>Ratios/Supplemental Data:</u>		
Ratio of expenses to average net assets ^{(I)(J)(L)}	11.67%	8.27%
Ratio of net expenses to average net assets ^{(I)(K)}	8.94	5.68
Ratio of net investment income to average net assets ^(I)	8.73	6.80

(A) Based on actual common shares outstanding at the end of the corresponding period.

(B) Based on weighted average per basic common share data.

(C) Distributions are determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(D) Total return equals the change in the market value of our common stock from the beginning of the period, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders*.

(E) Calculated using the average balance of net assets at the end of each month of the reporting period.

(F) The 1940 Act currently permits BDCs to issue senior securities representing indebtedness and senior securities that are stock, to which we refer as senior securities.

(G)

As a BDC, we are generally required to maintain an asset coverage ratio (as defined in Section 18(h) of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. Our mandatorily redeemable preferred stock is a senior security that is stock.

- (H) Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.
- (I) Amounts are annualized.
- (J) Ratio of expenses to average net assets is computed using expenses before credits from the Adviser.
- (K) Ratio of net expenses to average net assets is computed using total expenses net of any credits received from the Adviser.
- (L) The ratio of expenses to average net assets for the three months ended June 30, 2013 was revised from the ratio previously reported, which was 6.54%, to correct an error as discussed in footnote 2.

Table of Contents**NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES**

In accordance with the SEC's Regulation S-X, we have one unconsolidated subsidiary, Galaxy Tool Holdings, Inc. (Galaxy), that met at least one of the significance conditions of the SEC's Regulation S-X as of June 30, 2014 and 2013 and for the three months ended June 30, 2014 and 2013. Additionally, we have one unconsolidated subsidiary, SOG Specialty K&T, LLC (SOG), and one former unconsolidated subsidiary, Venyu Solutions Inc. (Venyu), that met at least one of the significance conditions of the SEC's Regulation S-X for the three months ended June 30, 2013. Accordingly, summarized, comparative financial information, in aggregate, is presented below for our significant unconsolidated subsidiaries.

Income Statement^(A)	For the Three Months Ended June 30,	
	2014	2013
Net Sales	\$ 14,428	\$ 22,719
Gross Profit	4,128	8,754
Net loss	(1,226)	189

(A) Reflects only three months of summarized income statement information of Venyu in 2013, as it was exited in August 2013.

NOTE 13. SUBSEQUENT EVENTS*Distributions*

On July 15, 2014, our Board of Directors declared the following monthly cash distributions to common and preferred stockholders:

Declaration Date	Record Date	Payment Date	Distribution per	
			Common Share	Distribution per Term Preferred Share
July 15, 2014	July 25, 2014	August 5, 2014	\$ 0.06	\$ 0.1484375
July 15, 2014	August 20, 2014	August 29, 2014	0.06	0.1484375
July 15, 2014	September 19, 2014	September 30, 2014	0.06	0.1484375
Total for the Quarter:			\$ 0.18	\$ 0.4453125

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Schedule 12-14

GLADSTONE INVESTMENT CORPORATION
INVESTMENTS IN AND ADVANCES TO AFFILIATES
(DOLLAR AMOUNTS IN THOUSANDS)

Name of Issuer ^(A)	Title of Issue or Nature of Indebtedness ^(B)	Amount of Dividends or Interest Credited to Income ^(C)	Value as of March 31, 2014	Gross Additions ^(D)	Gross Reductions ^(E)	Value as of June 30, 2014
CONTROL INVESTMENTS						
Galaxy Tool Holding Corp.	Senior Subordinated Term Debt	\$ 530	\$ 15,520	\$	\$	\$ 15,520
	Preferred Stock		2,992	3,674		6,666
	Common Stock					
		530	18,512	3,674		22,186
TOTAL CONTROL INVESTMENTS		\$ 530	\$ 18,512	\$ 3,674	\$	\$ 22,186
AFFILIATE INVESTMENTS						
Alloy Die Casting Corp.	Senior Term Debt	\$ 417	\$ 12,261	\$	\$ (31)	\$ 12,230
	Preferred Stock		1,948		(1,042)	906
	Common Stock					
		417	14,209		(1,073)	13,136
Behrens Manufacturing, LLC	Senior Term Debt	328	9,975			9,975
	Preferred Stock		2,754	478		3,232
		328	12,729	478		13,207
Channel Technologies Group, LLC	Preferred Stock		3,122		(769)	2,353
	Common Stock					
			3,122		(769)	2,353
Danco Acquisition Corp.	Revolving Credit Facility	38	690	400	(512)	578
	Senior Term Debt	26	515		(129)	386
	Senior Term Debt	89	1,759		(440)	1,319

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	Senior Term Debt	15	236		(63)	173
	Preferred Stock					
	Common Stock Warrants					
		168	3,200	400	(1,144)	2,456
Edge Adhesives Holdings, Inc.						
	Revolving Credit Facility	30	795	361		1,156
	Senior Term Debt	294	9,300	35		9,335
	Subordinated Term Debt	83	2,400	12		2,412
	Preferred Stock		3,474	718		4,192
		407	15,969	1,126		17,095
Head Country Food Products, Inc.						
	Revolving Credit Facility	1				
	Senior Term Debt	286	9,050			9,050
	Preferred Stock		4,000		(1,844)	2,156
		287	13,050		(1,844)	11,206
Meridian Rack & Pinion, Inc.						
	Senior Term Debt	330	9,672	12		9,684
	Preferred Stock		3,468	84		3,552
		330	13,140	96		13,236
NDLI Inc.						
	Revolving Credit Facility	22		1,236	(596)	640
	Senior Term Debt	210		11,166	(5,384)	5,782
	Senior Term Debt	101		5,639	(2,719)	2,920
	Senior Term Debt	101		5,639	(2,719)	2,920
	Preferred Stock		2,592		(2,592)	
	Common Stock					
		434	2,592	23,680	(14,010)	12,262

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Name of Issuer ^(A)	Title of Issue or Nature of Indebtedness ^(B)	Amount of Dividends or Interest Credited		Gross Additions ^(D)	Gross Reductions ^(E)	Value as of June 30, 2014
		to Income ^(C)	Value as of March 31, 2014			
SOG Specialty Knives and Tools, LLC	Senior Term Debt	208	6,200			6,200
	Senior Term Debt	455	12,199			12,199
	Preferred Stock	34	8,240		(1,253)	6,987
		697	26,639		(1,253)	25,386
Tread Corp.	Revolving Credit Facility ^(F)			750	(750)	
	Senior Subordinated Term Debt ^(F)					
	Senior Subordinated Term Debt ^(F)					
	Preferred Stock					
	Common Stock					
	Common Stock Warrants					
				750	(750)	
Total Affiliate Investments		\$ 3,068	\$ 104,650	\$ 26,530	\$ (20,843)	\$ 110,337

(A) Certain of the listed securities are issued by affiliate(s) of the indicated portfolio company.

(B) Common stock, warrants, options and, in some cases, preferred stock are generally non-income-producing and restricted. The principal amount of debt and the number of shares of common stock and preferred stock are shown in the Consolidated Schedules of Investments as of June 30, 2014.

(C) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was a control investment or affiliate investment, as appropriate.

(D) Gross additions include increases in investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or decreases in unrealized depreciation.

(E) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or decreases in unrealized appreciation.

** Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

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6.50% Series C Cumulative Term Preferred Stock Due 2022

PROSPECTUS SUPPLEMENT

Sole Book-Running Manager

Janney Montgomery Scott

Co-Lead Managers

J.J.B. Hilliard, W.L. Lyons, LLC

Wunderlich

William Blair

Ladenburg Thalmann

Co-Manager

Maxim Group LLC

May 6, 2015