

GLADSTONE INVESTMENT CORPORATION\DE

Form 10-Q

August 04, 2009

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**x** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTER ENDED JUNE 30, 2009**

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

**COMMISSION FILE NUMBER: 000-51233**

**GLADSTONE INVESTMENT CORPORATION**

(Exact name of registrant as specified in its charter)

**DELAWARE**

**83-0423116**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**1521 WESTBRANCH DRIVE, SUITE 200**

**MCLEAN, VIRGINIA 22102**

(Address of principal executive office)

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(703) 287-5800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12 b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of the issuer's Common Stock, \$0.001 par value, outstanding as of August 3, 2009 was 22,080,133.

Table of Contents

**GLADSTONE INVESTMENT CORPORATION**

**TABLE OF CONTENTS**

PART I.	FINANCIAL INFORMATION:	
Item 1.	Financial Statements (Unaudited)	
	<u>Condensed Consolidated Statements of Assets and Liabilities as of June 30, 2009 and March 31, 2009</u>	3
	<u>Condensed Consolidated Schedules of Investments as of June 30, 2009 and March 31, 2009</u>	4
	<u>Condensed Consolidated Statements of Operations for the three months ended June 30, 2009 and 2008</u>	10
	<u>Condensed Consolidated Statements of Changes in Net Assets for the three months ended June 30, 2009 and 2008</u>	11
	<u>Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2009 and 2008</u>	12
	<u>Financial Highlights for the three months ended June 30, 2009 and 2008</u>	13
	<u>Notes to Condensed Consolidated Financial Statements</u>	14
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations Overview</u>	25
	<u>Results of Operations</u>	28
	<u>Liquidity and Capital Resources</u>	31
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4.	<u>Controls and Procedures</u>	40
PART II.	OTHER INFORMATION:	
Item 1.	<u>Legal Proceedings</u>	41
Item 1A.	<u>Risk Factors</u>	41
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
Item 3.	<u>Defaults Upon Senior Securities</u>	41
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	41
Item 5.	<u>Other Information</u>	41
Item 6.	<u>Exhibits</u>	41
<u>SIGNATURES</u>		42

Table of Contents

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

	June 30, 2009	March 31, 2009
<b>ASSETS</b>		
Non-Control/Non-Affiliate investments (Cost 6/30/09: \$30,328; Cost 3/31/09: \$134,836)	\$ 26,961	\$ 94,740
Control investments (Cost 6/30/09: \$144,908; Cost 3/31/09: \$150,081)	149,509	166,163
Affiliate investments (Cost 6/30/09: \$63,807; Cost 3/31/09: \$64,028)	50,539	53,027
Total investments at fair value (Cost 6/30/09: \$239,043; Cost 3/31/09: \$348,945)	227,009	313,930
Cash and cash equivalents	84,577	7,236
Interest receivable	952	1,500
Due from Custodian	1,416	2,706
Deferred financing fees	1,387	1,167
Prepaid assets	237	172
Other assets	212	132
<b>TOTAL ASSETS</b>	<b>\$ 315,790</b>	<b>\$ 326,843</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 350	\$ 1,283
Fee due to Administrator (Refer to Note 4)	173	179
Fee due to Adviser (Refer to Note 4)	238	187
Short-term loan	65,000	
Borrowings under line of credit	46,940	110,265
Other liabilities	159	127
<b>TOTAL LIABILITIES</b>	<b>112,860</b>	<b>112,041</b>
<b>NET ASSETS</b>	<b>\$ 202,930</b>	<b>\$ 214,802</b>
<b>ANALYSIS OF NET ASSETS:</b>		
Common stock, \$0.001 par value, 100,000,000 shares authorized, 22,080,133 shares issued and outstanding at June 30, 2009 and March 31, 2009	\$ 22	\$ 22
Capital in excess of par value	264,697	257,361
Net unrealized depreciation of investment portfolio	(12,034)	(35,015)
Net unrealized depreciation of derivative	(11)	(53)
Accumulated net investment loss	(49,744)	(7,513)
<b>TOTAL NET ASSETS</b>	<b>\$ 202,930</b>	<b>\$ 214,802</b>
<b>NET ASSETS PER SHARE</b>	<b>\$ 9.19</b>	<b>\$ 9.73</b>

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

Table of Contents

**GLADSTONE INVESTMENT CORPORATION**  
**CONDENSED CONSOLIDATED SCHEDULES OF INVESTMENTS**  
**AS OF JUNE 30, 2009**  
**(DOLLAR AMOUNTS IN THOUSANDS)**  
**(UNAUDITED)**

Company (1)	Industry	Investment (2)	Cost	Fair Value
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS:</b>				
<i>Senior Syndicated Loans:</i>				
HMTBP Acquisition II Corp.	Service - aboveground storage tanks	Senior Term Debt (3.3%, Due 5/2014) (3)	\$ 3,828	\$ 3,657
Interstate Fibernet, Inc.	Service - provider of voice and data telecommunications services	Senior Term Debt (4.6%, Due 7/2013) (3)	9,781	7,605
Survey Sampling, LLC	Service - telecommunications-based sampling	Senior Term Debt (9.5%, Due 5/2011) (3)	2,422	2,404
<i>Subtotal - Syndicated Loans</i>			\$ 16,031	\$ 13,666
<i>Non-syndicated Loans</i>				
American Greetings Corporation	Manufacturing and design greeting cards	Senior Notes (7.4%, Due 6/2016) (3)	\$ 3,043	\$ 2,555
B-Dry, LLC	Service - basement waterproofer	Revolving Credit Facility, \$380 available (10.5%, Due 10/2008) (5)	370	367
		Senior Term Debt (13.0%, Due 5/2014) (5)	6,664	6,531
		Senior Term Debt (13.0%, Due 5/2014) (5)	3,920	3,842
		Common Stock Warrants (4)	300	
			11,254	10,740
<b>Total Non-Control/Non-Affiliate Investments</b>			<b>\$ 30,328</b>	<b>\$ 26,961</b>
<b>CONTROL INVESTMENTS:</b>				
A. Stucki Holding Corp.	Manufacturing railroad freight car products	Senior Term Debt (4.8%, Due 3/2012)	\$ 9,101	\$ 9,101
		Senior Term Debt (7.1%, Due 3/2012) (6)	9,900	9,900
		Senior Subordinated Term Debt (13%, Due 3/2014)	8,586	8,586
		Preferred Stock (4)	4,386	5,230
		Common Stock (4)	130	10,374
			32,103	43,191
Acme Cryogenics, Inc.	Manufacturing manifolds and pipes for industrial gasses	Senior Subordinated Term Debt (11.5%, Due 3/2013)	14,500	14,500

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			Redeemable Preferred Stock (4)	6,984	7,741
			Common Stock (4)	1,045	
			Common Stock Warrants (4)	25	
				22,554	22,241
ASH Holdings Corp.	Retail and Service and parts	school buses	Revolver, \$1,500 available (non-accrual, Due 3/2010) (5)	500	200
			Senior Subordinated Term Debt (non-accrual, Due 1/2012) (5)	5,937	1,781
			Preferred Stock (4)	2,500	
			Common Stock Warrants (4)	4	
				8,941	1,981
Cavert II Holdings Corp.	Manufacturing	bailing wire	Senior Term Debt (8.3%, Due 10/2012)	4,875	4,875
			Senior Term Debt (10.0%, Due 10/2012) (6)	2,700	2,700
			Senior Subordinated Term Debt (13.0%, Due 10/2014)	4,671	4,671
			Preferred Stock (4)	4,110	4,679
			Common Stock (4)	69	974
				16,425	17,899
Chase II Holdings Corp.	Manufacturing	traffic doors	Revolving Credit Facility, \$105 available (4.3%, Due 7/2010) (7)	3,395	3,395
			Senior Term Debt (8.8%, Due 3/2011)	8,525	8,525
			Senior Term Debt (12.0%, Due 3/2011) (6)	7,640	7,640
			Senior Subordinated Term Debt (13.0%, Due 3/2013)	6,168	6,168
			Redeemable Preferred Stock (4)	6,961	9,531
			Common Stock (4)	61	3,087
				32,750	38,346

Table of Contents**GLADSTONE INVESTMENT CORPORATION****CONDENSED CONSOLIDATED SCHEDULES OF INVESTMENTS (Continued)**

AS OF JUNE 30, 2009

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (1)	Industry	Investment (2)	Cost	Fair Value
<b>CONTROL INVESTMENTS (Continued):</b>				
Country Club Enterprises, LLC	Service golf cart distribution	Subordinated Term Debt (14.0%, Due 11/2014)	\$ 7,000	\$ 7,000
		Preferred Stock (4)	3,725	
			10,725	7,000
Galaxy Tool Holding Corp.	Manufacturing aerospace and plastics	Senior Subordinated Term Debt (13.5%, Due 8/2013)	17,250	17,250
		Preferred Stock (4)	4,112	1,601
		Common Stock (4)	48	
			21,410	18,851
<b>Total Control Investments</b>			<b>\$ 144,908</b>	<b>\$ 149,509</b>
<b>AFFILIATE INVESTMENTS:</b>				
Danco Acquisition Corp.	Manufacturing machining and sheet metal work	Revolving Credit Facility, \$2,100 available (9.3%, Due 10/2010) (5)	\$ 900	\$ 871
		Senior Term Debt (9.3%, Due 10/2012) (5)	4,312	4,183
		Senior Term Debt (11.5%, Due 4/2013) (5)	9,067	8,692
		Redeemable Preferred Stock (4)	2,500	1,404
		Common Stock Warrants (4)	3	
			16,782	15,150
Mathey Investments, Inc.	Manufacturing pipe-cutting and pipe-fitting equipment	Revolving Credit Facility, \$463 available (10.0%, Due 3/2011) (5) (7)	537	534
		Senior Term Debt (10.0%, Due 3/2013) (5)	2,375	2,363
		Senior Term Debt (13.5%, Due 3/2014) (5)(6)	7,227	7,128
		Common Stock (4)	500	
		Common Stock Warrants (4)	277	
			10,916	10,025
Noble Logistics, Inc.	Service aftermarket auto parts delivery	Revolving Credit Facility, \$0 available (4.3%, Due	2,000	1,510

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		12/2009) (5)		
		Senior Term Debt (9.3%, Due 12/2011) (5)	6,227	4,701
		Senior Term Debt (10.5%, Due 12/2011) (5) (6)	7,300	5,512
		Preferred Stock (4)	1,750	
		Common Stock (4)	1,682	
			18,959	11,723
Quench Holdings Corp.	Service sales, installation and service of water coolers	Senior Subordinated Term Debt (10.0%, Due 8/2013) (5)	8,000	6,180
		Preferred Stock (4)	2,950	1,511
		Common Stock Warrants (4)	447	
			11,397	7,691
Tread Corp.	Manufacturing storage and transport equipment	Senior Term Debt (12.5%, Due 5/2013) (5)	5,000	4,987
		Preferred Stock (4)	750	808
		Common Stock Warrants (4)	3	155
			5,753	5,950
<b>Total Affiliate Investments</b>			<b>\$ 63,807</b>	<b>\$ 50,539</b>
<b>TOTAL INVESTMENTS</b>			<b>\$ 239,043</b>	<b>\$ 227,009</b>



Table of Contents

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- (1) Certain of the listed securities are issued by affiliate(s) of the indicated portfolio company.
  - (2) Percentage represents the weighted average interest rates in effect at June 30, 2009, and due date represents the contractual maturity date.
  - (3) Security valued using internally-developed, risk-adjusted discounted cash flow methodologies as of June 30, 2009.
  - (4) Security is non-income producing.
  - (5) Fair value based on opinions of value submitted by Standard & Poor's Securities Evaluations, Inc. at June 30, 2009.
  - (6) Last Out Tranche of senior debt, meaning if the portfolio company is liquidated, the holder of the Last Out Tranche is paid after the senior debt.
  - (7) Terms of agreement were refinanced and revolver limit was reduced.

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

Table of Contents

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

Company (1)	Industry	Investment (2)	Cost	Fair Value
<b>NON-CONTROL/NON-AFFILIATE INVESTMENTS:</b>				
<i>Senior Syndicated Loans:</i>				
Activant Solutions, Inc.	Service - enterprise software and services	Senior Term Debt (3.4%, Due 5/2013) (7)	\$ 1,658	\$ 904
Advanced Homecare Holdings, Inc.	Service - home health nursing services	Senior Term Debt (4.3%, Due 8/2014) (7)	2,947	2,019
Aeroflex, Inc.	Service - provider of highly specialized electronic equipment	Senior Term Debt (4.5%, Due 8/2014) (7)	1,892	1,083
Compsych Investments Corp.	Service - employee assistance programs	Senior Term Debt (3.8%, Due 2/2012) (7)	3,083	2,405
CRC Health Group, Inc.	Service - substance abuse treatment	Senior Term Debt (3.5%, Due 2/2012) (7)	7,772	5,026
Critical Homecare Solutions, Inc.	Service - home therapy and respiratory treatment	Senior Term Debt (3.8%, Due 1/2012) (7)	4,359	3,632
Generac Acquisition Corp.	Manufacturing - standby power products	Senior Term Debt (3.0%, Due 11/2013) (7)	6,799	3,820
Graham Packaging Holdings Company	Manufacturing - plastic containers	Senior Term Debt (3.6%, Due 10/2011) (7)	3,348	2,813
HMTBP Acquisition II Corp.	Service - aboveground storage tanks	Senior Term Debt (3.5%, Due 5/2014) (3)	3,838	2,942
Huish Detergents, Inc.	Manufacturing - household cleaning products	Senior Term Debt (2.3%, Due 4/2014) (7)	1,966	1,690
Hyland Software, Inc.	Service - provider of enterprise content management software	Senior Term Debt (3.6%, Due 7/2013) (7)	3,912	2,990
Interstate Fibernet, Inc.	Service - provider of voice and data telecommunications services	Senior Term Debt (5.2%, Due 7/2013) (3)	9,804	6,698
KIK Custom Products, Inc.	Manufacturing - consumer products	Senior Term Debt (2.8%, Due 5/2014) (7)	3,941	1,862
Kronos, Inc.	Service - workforce management solutions	Senior Term Debt (3.5%, Due 6/2014) (7)	1,899	1,291
Local TV Finance, LLC	Service - television station operator	Senior Term Debt (2.5%, Due 5/2013) (7)	985	359
LVI Services, Inc.	Service - asbestos and mold remediation	Senior Term Debt (4.5%, Due 11/2010) (7)	5,916	2,673
MedAssets, Inc.	Service - pharmaceuticals and healthcare GPO	Senior Term Debt (5.1%, Due 10/2013) (7)	3,517	3,129
Network Solutions, LLC	Service - internet domain solutions	Senior Term Debt (3.2%, Due 3/2014) (7)	8,672	5,506
Open Solutions, Inc.	Service - software outsourcing for financial institutions	Senior Term Debt (3.3%, Due 1/2014) (7)	2,648	1,206
Ozburn-Hessey Holding Co. LLC	Service - third party logistics	Senior Term Debt (4.4%, Due 8/2012) (7)	7,523	5,975

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Pinnacle Foods Finance, LLC	Manufacturing - branded food products	Senior Term Debt (3.2%, Due 4/2014) (7)	1,950	1,570
PTS Acquisition Corp.	Manufacturing - drug delivery and packaging technologies	Senior Term Debt (2.8%, Due 4/2014) (7)	6,877	4,264
QTC Acquisition, Inc.	Service - outsourced disability evaluations	Senior Term Debt (2.8%, Due 11/2012) (7)	1,763	1,356
Radio Systems Corporation	Service - design electronic pet containment products	Senior Term Debt (3.3%, Due 9/2013) (7)	1,644	1,308
Rally Parts, Inc.	Manufacturing - aftermarket motorcycle parts and accessories	Senior Term Debt (3.5%, Due 11/2013) (7)	2,458	1,073
SafeNet, Inc.	Service - chip encryption products	Senior Term Debt (4.2%, Due 4/2014) (7)	2,949	2,008
SGS International, Inc.	Service - digital imaging and graphics	Senior Term Debt (4.0%, Due 12/2011) (7)	1,475	978
Survey Sampling, LLC	Service - telecommunications-based sampling	Senior Term Debt (9.5%, Due 5/2011) (3)	2,596	2,441
Triad Laboratory Alliance, LLC	Service - regional medical laboratories	Senior Term Debt (4.5%, Due 12/2011) (7)	4,120	3,432
Wastequip, Inc.	Service - process and transport waste materials	Senior Term Debt (2.8%, Due 2/2013) (7)	2,893	1,530
WaveDivision Holdings, LLC	Service - cable	Senior Term Debt (3.5%, Due 6/2014) (7)	1,905	1,575
West Corporation	Service - business process outsourcing	Senior Term Debt (2.9%, Due 10/2013) (7)	3,323	2,293
<b>Subtotal - Senior Syndicated Loans</b>			<b>\$ 120,432</b>	<b>\$ 81,851</b>
<b>Non-Syndicated Loans</b>				
American Greetings Corporation	Manufacturing and design - greeting cards	Senior Notes (7.4%, Due 6/2016) (3) (10)	\$ 3,043	\$ 2,180
B-Dry, LLC	Service - basement waterproofer	Revolving Credit Facility, \$300 available (10.5%, Due 10/2009) (5)	450	443
		Senior Term Debt (10.0%, Due 5/2014) (5)	6,681	6,464
		Senior Term Debt (10.0%, Due 5/2014) (5)	3,930	3,802
		Common Stock Warrants (4)	300	