HERSHA HOSPITALITY TRUST
Form SC 13D/A
June 07, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D/A
(Rule 13d-101)
INFORMATION TO BE INCLUDED IN

STATEMENTS FILED PURSUANT TO RULE 13d-1(a) AND

AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

Under the Securities Exchange Act of 1934

(Amendment No. 7)*

HERSHA HOSPITALITY TRUST

(Name of Issuer)

Class A Common Shares of beneficial interest, US$ 0.01 par value per share

(Title of Class of Securities)

427825104

(CUSIP Number)

Saúl Zang
Juan Manuel Quintana
Carolina Zang
Pablo Vergara del Carril
Zang, Bergel y Viñes Abogados
Florida 537, 18th Floor
Buenos Aires, Argentina
+54(11) 4322-0033

(Name, Address and Telephone Number of Person

authorized to Receive Notices and Communications)

April 19, 2013

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), Rule 13d-1(f) or Rule 13d-1(g), check the following box. ?

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to who copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Eduardo S. Elsztain
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o

3. SEC USE ONLY

4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o

6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Argentina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 15,400
	8.	SHARED VOTING POWER 14,038,067
	9.	SOLE DISPOSITIVE POWER 15,400
	10.	SHARED DISPOSITIVE POWER 14,038,067

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
IN

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Agroinvestment S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o

3. SEC USE ONLY

4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o

6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Uruguay

	7.	SOLE VOTING POWER

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
IFIS Limited
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Bermuda

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Inversiones Financieras del Sur S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Uruguay

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Cresud Sociedad Anónima Comercial Inmobiliaria
Financiera y Agropecuaria
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o

3. SEC USE ONLY

4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o

6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Argentina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Helmir S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Uruguay

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
   I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
   Cactus S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
   (b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
   AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
   Republic of Argentina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
    14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
    o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
    7.07%
14. TYPE OF REPORTING PERSON
    CO

1. NAME OF REPORTING PERSON
   I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
   Consultores Venture Capital Limited
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
   (b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
   AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
   Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
    14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
    o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
    7.07%
14. TYPE OF REPORTING PERSON
    CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Consultores Assets Management S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o

3. SEC USE ONLY

4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o

6. CITIZENSHIP OR PLACE OF ORGANIZATION
Argentina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Consultores Venture Capital Uruguay S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Uruguay

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
IRSA Inversiones y Representaciones Sociedad Anónima
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Argentina

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Jiwin S.A.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Republic of Uruguay

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
CO

1. NAME OF REPORTING PERSON
   I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
   Real Estate Investment Group L.P.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
   (b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
   AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
   Bermuda

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
    14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
    o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
    7.07%
14. TYPE OF REPORTING PERSON
    PN

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
Real Estate Investment Group II L.P.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
(b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
Bermuda

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	SOLE DISPOSITIVE POWER 0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
7.07%
14. TYPE OF REPORTING PERSON
PN

1. NAME OF REPORTING PERSON
   I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)
   Real Estate Investment Group III L.P.
2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý
   (b) o
3. SEC USE ONLY
4. SOURCE OF FUNDS
   AF - WC
5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o
6. CITIZENSHIP OR PLACE OF ORGANIZATION
   Bermuda

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	SOLE VOTING POWER 0
	8.	SHARED VOTING POWER 14,053,467
	9.	0
	10.	SHARED DISPOSITIVE POWER 14,053,467

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
    14,053,467
12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES
    o
13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
    7.07%
14. TYPE OF REPORTING PERSON
    PN

1.	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY) Real Estate Investment Group IV L.P.		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ý (b) o		
3.	SEC USE ONLY		
4.	SOURCE OF FUNDS AF - WC		
5.	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)o		
6.	CITIZENSHIP OR PLACE OF ORGANIZATION Bermuda		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7.	SOLE VOTING POWER 0
		8.	SHARED VOTING POWER 14,053,467
		9.	SOLE DISPOSITIVE POWER 0
		10.	SHARED DISPOSITIVE POWER 14,053,467
11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 14,053,467		
12.	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		o
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.07%		
14.	TYPE OF REPORTING PERSON PN		

STATEMENT PURSUANT TO RULE 13d-1 OF THE

GENERAL RULES AND REGULATIONS UNDER THE

SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED

AMENDMENT No. 7 TO SCHEDULE 13D

EXPLANATORY NOTE: The text of Amendment 6 Schedule 13D ("Amendment No.6") filed on May 29th, 2013 correctly identified the Reporting Persons. However Amendment No. 6 was inadvertently filed using the EDGAR codes of Elsztain Daniel Ricardo as a Reporting Person in error, who is not Reporting Person. This Amendment No. 7 Schedule 13D ("Amendment No. 7") is being filed solely by the Reporting Persons, and except for this change, this amendment repeats without change the information set forth in Amendment No. 6. Capitalized terms used in this Amendment No. 7 but not defined herein have the meaning given to such terms in the Schedule 13D, as amended and restated from time to time.

Capitalized terms used in this Amendment No. 7 but not defined herein have the meaning given to such terms in the Schedule 13D.

Item 2. Identity and Background

(a)-(c), (f) This statement is being filed by Eduardo S. Elsztain ("Elsztain") a citizen of the Republic of Argentina who serves as Chairman of the board of directors of each of the following companies, except for Helmir S.A., Cactus S.A, Real Estate Investment Group L.P., Real Estate Investment Group II L.P., Real Estate Investment Group III L.P. and Real Estate Investment Group IV L.P.:

(i) IFIS Limited, a limited liability company organized under the laws of Bermuda ("IFIS");

(ii) Inversiones Financieras del Sur S.A., a stock corporation organized under the laws of the Republic of Uruguay ("IFISA");

(iii) Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, a stock corporation organized under the laws of the Republic of Argentina ("Cresud");

(iv) Helmir S.A. a stock corporation organized under the laws of the Republic of Uruguay ("Helmir");

(v) Cactus Argentina Sociedad Anonima a stock corporation organized under the laws of the Republic of Argentina ("Cactus");

(vi) Consultores Assets Management S.A., a limited liability company organized under the laws of Argentina ("CAM");

(vii) Consultores Venture Capital Limited, a limited liability company organized under the laws of Cayman Island ("CVC Cayman");

(viii) Consultores Venture Capital Uruguay S.A., a limited liability company organized under the laws of the Republic of Uruguay ("CVC Uruguay");

(ix) Agroinvestment S.A., a stock corporation organized under the laws of the Republic of Uruguay ("Agroinvestment");

(x) IRSA Inversiones y Representaciones Sociedad Anónima, a stock corporation organized under the laws of the Republic of Argentina ("IRSA");

(xi) Tyrus S.A., a stock corporation organized under the laws of the Republic of Uruguay ("Tyrus");

(xii) Jiwin S.A., a stock corporation organized under the laws of the Republic of Uruguay, who serves as general partner of Real Estate Investment Group L.P., Real Estate Investment Group II L.P., Real Estate Investment Group III L.P. and Real Estate Investment Group IV L.P. ("Jiwin");

(xiii) Real Estate Investment Group L.P., a limited partnership organized under the laws of Bermuda ("REIG");

(xiv) Real Estate Investment Group II L.P., a limited partnership organized under the laws of Bermuda ("REIG II");

(xv) Real Estate Investment Group III L.P., a limited partnership organized under the laws of Bermuda ("REIG III"); and

(xvi) Real Estate Investment Group IV L.P., a limited partnership organized under the laws of Bermuda ("REIG IV", and together with Elsztain, IFIS, IFISA, Cresud, Helmir, Cactus, CAM, CVC Cayman, CVC Uruguay, Agroinvestment, IRSA, Tyrus, Jiwin, REIG, REIG II and REIG III the "Reporting Persons").

Elsztain's principal offices are located at Bolívar 108, 1st floor, Buenos Aires, Argentina; IFIS´s principal offices are located at 3 Bermudiana Road, Hamilton HM 08, Bermuda; IFISA's principal offices are located at Ruta 8, 17,500, Edificio @1, local 106, CP 91600, Montevideo, Republic of Uruguay; Cresud's principal offices are located at Moreno 877, 23rd Floor, (C1091AAQ) Ciudad Autónoma de Buenos Aires, Argentina; Helmir principal offices are located at Colonia 810 apto 403, Montevideo, Uruguay; Cactus principal offices are located at Moreno 877, 23rd Floor, (C1091AAQ) Ciudad Autónoma de Buenos Aires, Argentina; CAM's principal offices are located at Bolívar 108, 1st floor, Buenos Aires, Argentina; CVC Cayman's principal offices are located at 89, Nexus Way, 2nd floor Camana Bay P.O. Box 31106 Grand Cayman, KY1-1205 Cayman Islands; CVC Uruguay's principal offices are located at Ruta 8, 17,500, Edificio @1, local 106, CP 91600 Montevideo, Republic of Uruguay; Agroinvestment's principal offices are located at Zabala 1422, 2nd floor, Montevideo, Republic of Uruguay; IRSA's principal offices are located at Bolívar 108, 1st floor, Buenos Aires, Argentina; Tyrus´s principal offices are located at Colonia 810, Of. 403, CP 11000, Montevideo, Republic of Uruguay; Jiwin's principal offices are located at Colonia 810, Of. 403, CP 11000, Montevideo, Republic of Uruguay; REIG principal offices are located at Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda; REIG II principal offices are located at Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda; REIG III principal offices are located at Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda and REIG IV principal offices are located at Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda;.

Due to the fact that Mr. Elsztain may be deemed the beneficial owner of each of the Reporting Persons, the Reporting Persons report their direct and indirect ownership of common shares as "shared" voting and dispositive power.

(d) None of the Reporting Persons nor, to their knowledge, any person named in Schedule A hereto, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) within the last five years.

(e) During the last five years, none of the Reporting Persons nor, to their knowledge, any person named in Schedule A hereto, has been a party to any civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation of such laws.

Item 3. Source and Amount of Funds or Other Considerations.

None.

Item 4. Purpose of Transaction.

Since September 12, 2012, the Reporting Persons have decreased their beneficial ownership of Hersha Hospitality Trust ("HHT") in a 1.05% of HHT´s outstanding share capital. Such decrease was the result of the sell in the open market of 2,067,563 common shares. These transactions were effected from September 12, 2012, to April 19, 2013 (the "Transaction Period"). Aside from the forgoing, none of the Reporting Persons nor, to their knowledge, any person named in Schedule A, has any present plans or proposals that relate to or would result in any actions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interests in Securities of the Issuer

(a) As of April 19th, 2013, the Reporting Persons beneficially owned 14,053,467 Class A Common Shares of HHT, representing 7.07% of the Class A Common Shares believed by the Reporting Persons to be outstanding as of such date based on publicity available information. The reported securities may be deemed to be indirectly beneficially owned by the list of entities described on the previous paragraphs except for Elsztain, REIG, REIG II, REIG III and REIG IV whose direct beneficial ownership is listed below.

As of April 19, 2013:

(i) Elsztain is the Chairman of the Board of Directors of IFIS, IFISA, Cresud, CAM, CVC Uruguay, CVC Cayman, Agroinvestment, IRSA, Tyrus and Jiwin, except for REIG, REIG II, REIG III and REIG IV, companies in which Jiwin (a company wholly owned by IRSA) is the General Partner, Helmir, and Cactus.

(ii) Elsztain is the beneficial owner of 36.90 % of IFIS, including: (a) 18.98% owned indirectly through Agroinvestment, (b) 15.38% owned indirectly through CVC Uruguay, (c) 2.52% owned indirectly through CVC Cayman and (d) 0.03% owned directly. Elsztain owns 100% of Agroinvestment and 85.0% of CAM which owns 0.11% of Cresud's shares on a fully diluted basis and 100% of CVC Uruguay which in turn owns 0.0002% of Cresud's shares on a fully diluted basis and 100% of CVC Cayman. None of these companies own directly HHT's Common Shares. Eduardo Elsztain also directly owns 0.0002% of IRSA's outstanding stock and 0.22% of Cresud's shares on a fully diluted basis.

(iii) CVC Cayman serves as the Investment Manager of IFIS.

(iv) IFIS is the direct owner of 100% of the common shares of IFISA. IFIS does not directly own HHT's Common Shares.

(v) IFISA directly owns 38.96% of Cresud's shares on a fully diluted basis and 0.86% of IRSA's common shares. IFISA does not directly own HHT's Common Shares.

(vi) Cresud directly owns 64.56% of IRSA's common shares and 94.99% of Cactus common shares. Cresud does not directly own HHT's Common Shares.

(vii) Helmir directly owns 5.01% of Cactus´s common shares. Helmir does not directly own HHT´s Common Shares.

(viii) Cactus directly owns 0.63% of IRSA´s common shares. Cactus does not directly own HHT´s Common Shares.

(ix) IRSA owns 100% of Tyrus. IRSA does not directly own HHT's Common Shares.

(x) Tyrus owns 100% of the capital stock of Jiwin. Tyrus does not directly own HHT's Common Shares.

(xi) Jiwin serves as general Partner of REIG, REIG II, REIG III and REIG IV. Jiwin does not directly own HHT's Common Shares.

(xii) REIG owns 6,207,898 Common Shares of HHT.

(xiii) REIG II owns 2,565,268 Common Shares of HHT.

(xiv) REIG III owns 3,864,000 Common Shares of HHT.

(xv) REIG IV owns 1,400,901 Common Shares of HHT.

(xvi) Eduardo Elsztain directly owns 15,400 Common Shares of HHT.

Set forth below is a diagram of the Reporting Persons' beneficial ownership of HHT's outstanding stock as of April 19th, 2013:

Given the foregoing, as of April 19, 2013, the Reporting Persons may be deemed to be the beneficial owners of 14,053,467 Class A Common Shares of HHT, representing 7.07% of the Class A common shares believed by the Reporting Persons to be outstanding as of such date based on publicity available information.

(b) Item 5(a) is incorporated herein by reference.

(c) Transactions by the Reporting Persons or other persons named in Schedule A, attached hereto, in HHT's common shares that were effected during the transaction period are listed on Annex I.

(d)-(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Collateral Account: As of the date of this Schedule 13D, REIG has deposited 2,061,856 shares of Hersha, in a collateral account. Notwithstanding the aforementioned, REIG maintains the political and economic rights related to such Shares.

Item 7. Material to be filed as Exhibits.

None.

Schedule A

Directors of IFIS Limited

1. Eduardo S. Elsztain
Director
3 Bermudiana Road,
Hamilton HM 08, Bermuda,
Bermuda.
Citizen of Argentina

2. Saúl Zang
Director
3 Bermudiana Road,
Hamilton HM 08, Bermuda,
Bermuda.
Citizen of Argentina

3. Mariana Renata Carmona de Elsztain
Director
3 Bermudiana Road,
Hamilton HM 08, Bermuda,
Bermuda.
Citizen of Argentina

4. Alejandro Gustavo Elsztain
Director
3 Bermudiana Road,
Hamilton HM 08, Bermuda,
Bermuda.
Citizen of Argentina

Directors of Consultores Venture Capital Uruguay

1. Eduardo S. Elsztain
Chairman
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Republic of Uruguay
Citizen of Argentina

2. Eduardo Simon Bartfeld
Director
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Citizen of Uruguay

3. Olga Stirling
Director
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Citizen of Uruguay

Directors of Consultores Assets Management S.A.

1. Eduardo S. Elsztain
Chairman
Bolívar 108, 1st floor
(1066) Buenos Aires
Republic of Argentina

3. Mariana Renata Carmona de Elsztain
Director
Bolívar 108, 1st floor
(1066) Buenos Aires
Republic of Argentina

Citizen of Argentina	Citizen of Argentina

2. Saúl Zang
Director
Bolívar 108, 1st floor
(1066) Buenos Aires
Republic of Argentina
Citizen of Argentina

4. Gerardo Tyszberowicz
Alternate Director
Bolívar 108, 1st floor
(1066) Buenos Aires
Republic of Argentina
Citizen of Argentina

Directors of Consultores Venture Capital Limited

1. Eduardo S. Elsztain
Chairman
Director
89, Nexus Way, 2nd floor Camana Bay P.O. Box 31106 Grand Cayman, KY1-1205 Cayman Islands
Citizen of Argentina

2. Saúl Zang
Director
89, Nexus Way, 2nd floor Camana Bay
P.O. Box 31106 Grand Cayman, KY1-1205
Cayman Islands Citizen of Argentina

Directors of Inversiones Financieras del Sur S.A.

1. Eduardo S. Elsztain
Chairman of the Board
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Republic of Uruguay
Citizen of Argentina

2. Saúl Zang
Director
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Republic of Uruguay
Citizen of Argentina

3. Eduardo Simon Bartfeld
Director
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Republic of Uruguay
Citizen of Uruguay

4. Olga Stirling
Director
Ruta 8K 17.500 Edificio@1 Local 106,
CP 91600 Montevideo
Republic of Uruguay
Citizen of Uruguay

Directors of Agroinvestment S.A.

1. Eduardo S. Elsztain
Chairman of the Board
Zabala 1422, 2nd Floor
(11500), Montevideo
Republic of Uruguay
Citizen of Argentina

2. Mariana Renata Carmona de Elsztain
Director
Zabala 1422, 2nd Floor
(11500), Montevideo
Republic of Uruguay
Citizen of Argentina

3. Eduardo Simon Bartfeld
Director
Zabala 1422, 2nd Floor
(11500), Montevideo
Republic of Uruguay
Citizen of Uruguay

Directors and Executive Officers of

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria

Directors

1. Eduardo Sergio Elsztain
Chairman of the Board
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

2. Saúl Zang
Vice Chairman
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

3. Alejandro Gustavo Elsztain
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

4. Gabriel Adolfo Reznik
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

5. Jorge Oscar Fernández
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

6. Fernando Adrián Elsztain
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

7. Pedro Damaso Labaqui Palácio
Director

8. David Alberto Perednik
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

9. Daniel E. Melicovsky
Director
Moreno 877, 23rd floor
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Citizen of Argentina

10. Alejandro Casaretto
Alternate Director
Moreno 877, 23rd floor
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Citizen of Argentina

11. Salvador Darío Bergel
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

12. Gastón Armando Lernoud
Alternate Director
Moreno 877, 23rd floor
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Republic of Argentina
Citizen of Argentina

13. Enrique Antonini
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

14. Eduardo Kalpakian
Alternate Director

Moreno 877, 23rd floor (C1091AAQ) Buenos Aires Republic of Argentina Citizen of Argentina	Moreno 877, 23rd floor (C1091AAQ) Buenos Aires Republic of Argentina Citizen of Argentina

Senior Management

1. Alejandro Gustavo Elsztain
Chief Executive Officer
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

2. Matías Iván Gaivironsky
Chief Financial Officer
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

3. David A. Perednik
Chief Administrative Officer
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

4. Alejandro Casaretto
Regional Manager of Agricultural Real Estate
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

5. Carlos Blousson
Chief Executive Officer of the International Operation (Paraguay, Bolivia and Uruguay)
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

Directors and Executive Officers of

IRSA Inversiones y Representaciones Sociedad Anónima

Directors

1. Eduardo Sergio Elsztain
Chairman
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

2. Saúl Zang
Vice Chairman
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

3. Alejandro Gustavo Elsztain
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina

8. Gary S. Gladstein
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of USA

9. Mauricio Wior
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

10. Mario Blejer
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina

Citizen of Argentina

4. Fernando Adrián Elsztain
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

5. Carlos Ricardo Estevez
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

6. Cedric D. Bridger
Director
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(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

7. Daniel R. Elsztain
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

Citizen of Argentina

11. Ricardo Liberman
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

12. Gabriel A. Reznik
Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

13. Salvador D. Bergel
Alternate Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

14. Enrique Antonini
Alternate Director
Bolívar 108, 1 floor
(C1066AAD) Buenos Aires
Republic of Argentina
Citizen of Argentina

Senior Management

1. Eduardo Sergio Elsztain
   Chief Executive Officer
   Moreno 877, 23rd floor
   (C1091AAQ) Buenos Aires
   Republic of Argentina
   Citizen of Argentina
2. Matías Iván Gaivironsky
   Chief Financial Officer
   Moreno 877, 23rd floor
   (C1091AAQ) Buenos Aires
   Republic of Argentina
   Citizen of Argentina
3. David Alberto Perednik
   Chief Administrative Officer
   Moreno 877, 23rd floor
   (C1091AAQ) Buenos Aires
   Republic of Argentina
   Citizen of Argentina
4. Jorge Cruces
   Chief Real Estate Officer
   Moreno 877, 23rd floor
   (C1091AAQ) Buenos Aires
   Republic of Argentina
   Citizen of Argentina
5. Daniel R. Elsztain
   Chief Operating Officer
   Moreno 877, 23rd floor
   (C1091AAQ) Buenos Aires
   Republic of Argentina
   Citizen of Argentina

Helmir S.A.

1. Carlos Blousson
Chairman of the Board
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
2. Gastón Armando Lernoud
Vice Chairman
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
3. Alejandro Casaretto
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

Cactus Argentina S.A.

1. Alejandro Gustavo Elsztain
Chairman of the Board
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
2. Saúl Zang
Vice chairman
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
3. Carlos Blousson
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
4. Alejandro Casaretto
Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
5. Pablo Vergara del Carril
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
6. Armando Ricci
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
7. Gastón Armando Lernoud
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina
8. José Luis Rinaldini
Alternate Director
Moreno 877, 23rd floor
(C1091AAQ) Buenos Aires
Republic of Argentina
Citizen of Argentina

Tyrus S.A.

1. Eduardo S. Elsztain
Chairman of the Board
Colonia 810, Of. 403
(11000) Montevideo
Republic of Uruguay
Citizen of Argentina
2. Saúl Zang
3. Alejandro Gustavo Elsztain
Director
Colonia 810, Of. 403
(11000) Montevideo
Citizen of Uruguay

Director
Colonia 810, Of. 403
(11000) Montevideo
Republic of Uruguay
Citizen of Argentina

Jiwin S.A.

1. Eduardo S. Elsztain
   Chairman of the Board
   Colonia 810, Of. 403
   (11000) Montevideo
   Republic of Uruguay
   Citizen of Argentina
2. Saúl Zang
   Director
   Colonia 810, Of. 403
   (11000) Montevideo
   Republic of Uruguay
   Citizen of Argentina
3. Alejandro Gustavo Elsztain
   Director
   Colonia 810, Of. 403
   (11000) Montevideo
   Citizen of Uruguay

Transactions by the Reporting Persons or persons named in Schedule A in Shares
that were effected during the last 60 days

Annex 1

REIG's transactions in HHT Shares

REIG II's transactions in HHT Shares

SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this Statement on Schedule 13D is true, complete and correct.

DATED: June 7, 2013

Eduardo S. Elsztain
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain

IFIS Limited
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Inversiones Financieras del Sur S.A.

By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Consultores Venture Capital Uruguay
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Tyrus S.A.
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Real Estate Investment Group L.P.
By: Jiwin S.A., its general partner
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

IRSA Inversiones y Representaciones S.A.
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Real Estate Investment Group III L.P.
By: Jiwin S.A., its general partner

Consultores Assets Management S.A.
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Consultores Venture Capital Limited
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Cresud Sociedad Anónima Comercial,
Inmobiliaria, Financiera y Agropecuaria
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Agroinvestment S.A.
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Helmir S.A.
By: /S/ Carlos Blousson
Name: Carlos Blousson
Title: Chairman of the Board

Jiwin S.A.
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Real Estate Investment Group II L.P.
By: Jiwin S.A., its general partner
By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Real Estate Investment Group IV L.P.
By: Jiwin S.A., its general partner

By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

By: /S/ Eduardo S. Elsztain
Name: Eduardo S. Elsztain
Title: Chairman of the Board

Cactus S.A.
By: /S/ Alejandro Gustavo Elsztain
Name: Alejandro Gustavo Elsztain
Title: Chairman of the Board

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Audited Consolidated Financial Statements

Management s Annual Report on Internal Control over Financial Reporting

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Report of Independent Registered Public Accounting Firm

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Consolidated Statements of Assets and Liabilities as of March 31, 2014 and March 31, 2013

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Condensed Consolidated Schedules of Investments as of June 30 and March 31, 2014

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Management s Annual Report on Internal Control over Financial Reporting

To the Stockholders and Board of Directors of Gladstone Investment Corporation:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and include those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting as of March 31, 2014, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework (1992)*. Based on its assessment, management has concluded that our internal control over financial reporting was effective as of March 31, 2014.

The effectiveness of our internal control over financial reporting as of March 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

May 13, 2014

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Gladstone Investment Corporation:

In our opinion, the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, and the related consolidated statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Gladstone Investment Corporation and its subsidiaries (the Company) as of March 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2014 and the financial highlights for each of the five years in the period ended March 31, 2014, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule on page F-36 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. Our procedures included confirmation of securities as of March 31, 2014 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

McLean, VA

May 13, 2014

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	March 31, 2014	March 31, 2013
ASSETS		
Investments at fair value		
Control investments (Cost of **$29,632** and $98,071 respectively)	**$ 21,104**	$ 98,515
Affiliate investments (Cost of **$120,010** and $36,528, respectively)	**87,849**	18,216
Non-Control/Non-Affiliate investments (Cost of **$233,895** and $191,822, respectively)	**205,440**	169,751
Total investments at fair value (Cost of **$383,537** and $326,421, respectively)	**314,393**	286,482
Cash and cash equivalents	**4,553**	85,904
Restricted cash	**5,314**	626
Interest receivable	**1,289**	1,309
Due from custodian	**1,704**	1,677
Deferred financing costs	**2,355**	2,336
Other assets	**1,086**	1,469
TOTAL ASSETS	**$ 330,694**	$ 379,803
LIABILITIES		
Borrowings:		
Short-term loan at fair value (Cost of **$0** and $58,016, respectively)	**$**	$ 58,016
Line of credit at fair value (Cost of **$61,250** and $31,000, respectively)	**61,701**	31,854
Other secured borrowings	**5,000**	5,000
Total borrowings	**66,701**	94,870
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference; 1,610,000 shares authorized, **1,600,000** shares issued and outstanding as of March 31, 2014 and 2013	**40,000**	40,000
Accounts payable and accrued expenses	**665**	1,069
Fees due to Adviser[(A)]	**1,225**	2,067
Fee due to Administrator[(A)]	**224**	221
Other liabilities	**1,042**	613
TOTAL LIABILITIES	**109,857**	138,840
Commitments and contingencies[(B)]		
NET ASSETS	**$ 220,837**	$ 240,963
ANALYSIS OF NET ASSETS		
	$ 26	$ 26

Common stock, $0.001 par value per share, 100,000,000 shares authorized, **26,475,958** shares issued and outstanding as of March 31, 2014 and 2013, respectively		
Capital in excess of par value	**287,062**	287,713
Cumulative net unrealized depreciation of investments	**(69,144)**	(39,939)
Cumulative net unrealized depreciation of other	**(525)**	(883)
Net investment income in excess of distributions	**3,616**	2,691
Accumulated net realized loss	**(198)**	(8,645)
TOTAL NET ASSETS	**$ 220,837**	$ 240,963
NET ASSET VALUE PER SHARE AT END OF YEAR	**$ 8.34**	$ 9.10

(A) Refer to Note 4 *Related Party Transactions* for additional information.
(B) Refer to Note 11 *Commitments and Contingencies* for additional information.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Year Ended March 31, 2014	2013	2012
INVESTMENT INCOME			
Interest income:			
Control investments	**$ 5,642**	$ 6,388	$ 4,972
Affiliate investments	**3,625**	3,114	1,497
Non-Control/Non-Affiliate investments	**21,190**	15,292	13,112
Cash and cash equivalents	**3**	4	7
Total interest income	**30,460**	24,798	19,588
Other income:			
Control investments	**3,295**	4,106	
Affiliate investments	**1,299**		
Non-Control/Non-Affiliate investments	**1,210**	1,634	1,654
Total other income	**5,804**	5,740	1,654
Total investment income	**36,264**	30,538	21,242
EXPENSES			
Base management fee(A)	**6,207**	5,412	4,386
Loan servicing fee(A)	**4,326**	3,724	3,031
Incentive fee(A)	**3,983**	2,585	19
Administration fee(A)	**863**	785	684
Interest expense on borrowings	**2,075**	1,127	768
Dividends on mandatorily redeemable preferred stock	**2,850**	2,850	198
Amortization of deferred financing costs	**1,024**	791	459
Professional fees	**805**	541	591
Other general and administrative expenses	**1,459**	1,287	1,554
Expenses before credits from Adviser	**23,592**	19,102	11,690
Credit of loan servicing fee(A)	**(4,326)**	(3,724)	(3,031)
Other credits to fees(A)	**(2,309)**	(1,328)	(1,160)
Total expenses net of credits to fees	**16,957**	14,050	7,499
NET INVESTMENT INCOME	**$ 19,307**	$ 16,488	$ 13,743
REALIZED AND UNREALIZED (LOSS) GAIN			
Net realized gain:			

Control investments	**24,838**	(6)	(269)
Affiliate investments	**(1,763)**		
Non-Control/Non-Affiliate investments	**(14,834)**	849	5,360
Other	**(29)**	(41)	(40)
Total net realized gain	**8,212**	802	5,051
Net unrealized (depreciation) appreciation:			
Control investments	**(21,343)**	27,740	396
Affiliate investments	**(1,481)**	(19,214)	1,945
Non-Control/Non-Affiliate investments	**(6,382)**	(7,722)	822
Other	**358**	(815)	9
Total net unrealized (depreciation) appreciation	**(28,848)**	(11)	3,172
Net realized and unrealized (loss) gain	**(20,636)**	791	8,223
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ (1,329)**	$ 17,279	$ 21,966
BASIC AND DILUTED PER COMMON SHARE:			
Net investment income	**$ 0.73**	$ 0.68	$ 0.62
Net (decrease) increase in net assets resulting from operations	**$ (0.05)**	$ 0.71	$ 0.99
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:			
Basic and diluted	**26,475,958**	24,189,148	22,080,133

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

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

	Year Ended March 31,		
	2014	**2013**	**2012**
OPERATIONS:			
Net investment income	**$ 19,307**	$ 16,488	$ 13,743
Net realized gain on investments	**8,241**	843	5,091
Net realized loss on other	**(29)**	(41)	(40)
Net unrealized (depreciation) appreciation of investments	**(29,206)**	804	3,163
Net unrealized appreciation (depreciation) of other	**358**	(815)	9
Net (decrease) increase in net assets from operations	**(1,329)**	17,279	21,966
EQUITY CAPITAL ACTIVITY:			
Issuance of common stock		32,969	
Shelf offering registration costs, net		(1,954)	
Distributions to common stockholders from net investment income	**(18,797)**	(14,547)	(13,579)
Net (decrease) increase in net assets from equity capital activity	**(18,797)**	16,468	(13,579)
Total (decrease) increase in net assets	**(20,126)**	33,747	8,387
Net assets at beginning of year	**240,963**	207,216	198,829
Net assets at end of year	**$ 220,837**	$ 240,963	$ 207,216

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Year Ended March 31,		
	2014	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (decrease) increase in net assets resulting from operations	**$ (1,329)**	$ 17,279	$ 21,966
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash used in operating activities:			
Purchase of investments	**(132,203)**	(87,607)	(91,298)
Principal repayments of investments	**51,828**	25,243	19,154
Proceeds from the sale of investments	**31,587**	3,181	8,031
Increase in investment balance due to paid in kind interest	**(88)**		
Net realized gain on investments	**(8,241)**	(843)	(5,091)
Net realized loss on other	**29**	41	40
Net unrealized depreciation (appreciation) of investments	**29,206**	(804)	(3,163)
Net unrealized (appreciation) depreciation of other	**(358)**	815	(9)
Amortization of deferred financing costs	**1,024**	791	459
(Increase) decrease in restricted cash	**(4,688)**	1,302	2,571
Decrease (increase) in interest receivable	**20**	(59)	(513)
Increase in due from custodian	**(27)**	(150)	(668)
Decrease (increase) in other assets	**383**	(867)	162
(Decrease) increase in accounts payable and accrued expenses	**(345)**	613	197
(Decrease) increase in fees due to Adviser[(A)]	**(842)**	1,571	(3)
Increase in administration fee payable to Administrator[(A)]	**3**	3	47
Increase (decrease) in other liabilities	**429**	(243)	(553)
Net cash used in operating activities	**(33,612)**	(39,734)	(48,671)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock, net of expenses		31,015	
Proceeds from short-term loans	**56,514**	250,063	254,507
Repayments on short-term loans	**(114,530)**	(268,052)	(218,502)
Proceeds from Credit Facility	**145,350**	144,000	59,200
Repayments on Credit Facility	**(115,100)**	(113,000)	(59,200)
Proceeds from other secured borrowings		5,000	
Proceeds from issuance of mandatorily redeemable preferred stock			40,000
Purchase of derivatives	**(75)**		(29)
Payment of deferred financing costs	**(1,101)**	(387)	(2,760)
Distributions paid to common stockholders	**(18,797)**	(14,547)	(13,579)
Net cash (used in) provided by financing activities	**(47,739)**	34,092	59,637

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(81,351)**	(5,642)	10,966
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**85,904**	91,546	80,580
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 4,553**	$ 85,904	$ 91,546
CASH PAID DURING YEAR FOR INTEREST	**$ 1,952**	$ 1,079	$ 777
NON-CASH ACTIVITIES[(B)]	**$**	$ 4,106	$

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

(B) 2013: In February 2013, we recapitalized our investment in Galaxy Tool Holdings Corp. (Galaxy), converting $8.2 million of Galaxy preferred stock and its related $4.1 million in accrued dividends into a new $12.3 million senior debt investment in a non-cash transaction. We recognized $4.1 million in dividend income on our *Consolidated Statements of Operations* during the year ended March 31, 2013 related to this recapitalization.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
CONTROL INVESTMENTS:					
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**
AFFILIATE INVESTMENTS:					
Behrens Manufacturing, LLC	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.0%, Due 12/2018)	$ 9,975	$ 9,975	$ 9,975
		Preferred Stock (2,923 shares)(C)(F)		2,922	2,754
				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	690
		Senior Term Debt (4.0%, Due 8/2015)(D)	2,575	2,575	515
		Senior Term Debt (4.0%, Due 8/2015)(D)	8,795	8,795	1,759
		Senior Term Debt (5.0%, Due 8/2015)(D)(E)	1,150	1,150	236
		Preferred Stock (25 shares)(C)(F)		2,500	
		Common Stock (1,241 shares)(C)(F)		3	
				18,473	3,200
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

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Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
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, $779 available (12.5%, Due 6/2014)[G]	2,471	2,471	
		Senior Subordinated Term Debt (12.5%, Due 2/2015)[G]	5,000	5,000	
		Senior Subordinated Term Debt (12.5%, Due 2/2015)[G]	2,750	2,750	
		Senior Subordinated Term Debt (12.5%, Due 2/2015)[G]	1,000	1,000	
		Senior Subordinated Term Debt (12.5%, Due on Demand)[G]	510	510	
		Preferred Stock (3,332,765 shares)[C][F]		3,333	
		Common Stock (7,716,320 shares)[C][F]		501	
		Common Stock Warrants (2,372,727 shares)[C][F]		3	
				15,568	
Total Affiliate Investments (represents 27.9% of total investments at fair value)				**$ 120,010**	**$ 87,849**
NON-CONTROL/NON-AFFILIATE INVESTMENTS:					
Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Senior Subordinated Term Debt (11.5%, Due 3/2015)	$ 14,500	$ 14,500	$ 14,500
		Preferred Stock (898,814 shares)[C][F]		6,984	11,276

		Common Stock (418,072 shares)(C)(F)		1,045	
		Common Stock Warrants (465,639 shares)(C)(F)		25	
				22,554	25,776
Alloy Die Casting Corp.	Diversified/ Conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018)(D)	12,215	12,215	12,261
		Preferred Stock (4,064 shares)(C)(F)		4,064	1,948
		Common Stock (630 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)	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

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Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
Cavert II Holding Corp.	Containers, Packaging, and Glass	Preferred Stock (18,446 shares)[C][F]		1,845	3,023
				1,845	3,023
Country Club Enterprises, LLC	Automobile	Senior Subordinated Term Debt (18.6%, Due 11/2014)	4,000	4,000	4,000
		Preferred Stock (7,079,792 shares)[C][F]		7,725	3,670
		Guaranty ($2,000)			
		Guaranty ($878)			
				11,725	7,670
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Senior Term Debt (13.5%, Due 8/2017)	10,913	10,913	10,913
		Preferred Stock (34,045 shares)[C][F]		3,375	1,351
		Common Stock (5,372 shares)[C][F]		63	
				14,351	12,264
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Senior Term Debt (12.0%, Due 12/2017)	12,500	12,500	12,500
		Preferred Stock (1,373 shares)[C][F]		1,373	1,522
		Common Stock (152 shares)[C][F]		152	843
				14,025	14,865
Funko, LLC	Personal and Non-Durable Consumer Products (Manufacturing Only)	Senior Subordinated Term Debt (12.0% and 1.5% PIK, Due 5/2019)[D]	7,587	7,587	7,729
		Preferred Stock (1,305 shares)[C][F]		1,305	2,276
				8,892	10,005
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares,	Senior Subordinate Term Debt (13.5%, Due 1/2018) [I]	13,050	13,050	13,050

	and Durable Consumer Products				
		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	Senior Term Debt (10.0%, Due 3/2016)	1,375	1,375	1,375
	(Nonagriculture,	Senior Term Debt (12.0%, Due 3/2016)	3,727	3,727	3,727
	Nonconstruction,	Senior Term Debt (12.5%, Due 3/2016)(E)	3,500	3,500	3,500
	Nonelectronic)	Common Stock (29,102 shares)(C)(F)		777	4,895
				9,379	13,497

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Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Subordinated Term Debt (13.0%, Due 10/2016)[(D)]	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
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**
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. 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.

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(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.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2013

(DOLLAR AMOUNTS IN THOUSANDS)

Company[A]	Industry	Investment[B]	Principal	Cost	Fair Value
CONTROL INVESTMENTS:					
Danco Acquisition Corp.	Diversified/Conglomerate Manufacturing	Line of Credit, $282 available (4.0%, Due 8/2015)[D]	$ 2,868	$ 2,868	$ 717
		Senior Term Debt (4.0%, Due 8/2015)[D]	2,575	2,575	644
		Senior Term Debt (4.0%, Due 8/2015)[D]	8,795	8,795	2,199
		Senior Term Debt (5.0%, Due 8/2015)[D][E]	1,150	1,150	287
		Preferred Stock (25 shares)[C][F]		2,500	
		Common Stock Warrants (420 shares)[C][F]		3	
				17,891	3,847
Galaxy Tool Holding Corp.	Aerospace and Defense	Senior Subordinated Term Debt (13.5%, Due 8/2017)	15,520	15,520	15,520
		Preferred Stock (5,373,186 shares)[F]		11,464	5,356
		Common Stock (48,093 shares)[C][F]		48	
				27,032	20,876
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	11,423
				28,148	29,822
Venyu Solutions, Inc.	Electronics	Senior Subordinated Term Debt (11.3%, Due 10/2015)	7,000	7,000	7,000
			12,000	12,000	12,000

		Senior Subordinated Term Debt (14.0%, Due 10/2015)			
		Preferred Stock (5,400 shares)(C)(F)		6,000	24,970
				25,000	43,970
Total Control Investments (represents 34.4% of total investments at fair value)				**$ 98,701**	**$ 98,515**
AFFILIATE INVESTMENTS:					
Channel Technologies Group, LLC		Line of Credit, $0 available (7.0%, Due 5/2013)(D)	$ 1,250	$ 1,250	$ 1,248
	Diversified/Conglomerate Manufacturing	Senior Term Debt (8.3%, Due 12/2014)(D)	5,596	5,596	5,589
		Senior Term Debt (12.3%, Due 12/2016)(D)	10,750	10,750	10,737
		Preferred Stock (1,599 shares)(C)(F)		1,599	275
		Common Stock (1,598,616 shares)(C)(F)			
				19,195	17,849
Packerland Whey Products, Inc.	Beverage, Food, and Tobacco	Preferred Stock (248 shares)(C)(F)		2,479	367
		Common Stock (247 shares)(C)(F)		21	
				2,500	367
Tread Corp.	Oil and Gas	Line of Credit, $1,014 available (12.5%, Due 6/2013)(G)	1,736	1,736	
		Senior Subordinated Term Debt (12.5%, Due 5/2013)(G)	5,000	5,000	
		Senior Subordinated Term Debt (12.5%, Due 5/2013)(G)	2,750	2,750	
		Senior Subordinated Term Debt (12.5%, Due 5/2015)(G)	1,000	1,000	
		Senior Subordinated Term Debt (12.5%, Due on Demand)(D)(G)	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	
		14,833	
Total Affiliate Investments (represents 6.4% of total investments at fair value)		**$ 36,528**	**$ 18,216**

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2013

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS:					
Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Senior Subordinated Term Debt (11.5%, Due 3/2015)	$ 14,500	$ 14,500	$ 14,500
		Preferred Stock (898,814 shares)[(F)]		6,984	11,292
		Common Stock (418,072 shares)[(C)(F)]		1,045	1,179
		Common Stock Warrants (465,639 shares)[(C)(F)]		25	369
				22,554	27,340
Auto Safety House, LLC	Automobile	Line of Credit, $288 available (3.0%, Due 3/2015)[(G)]	7,912	7,856	
		Senior Subordinated Term Debt (2.0%, Due 3/2015)[(G)]	6,250	6,050	
		Preferred Stock (4,644 shares)[(C)(F)]		2,500	
		Common Stock (1 share)[(C)(F)]			
		Common Stock Warrants (73,599 shares)[(C)(F)]		4	
		Guaranty ($500)			
				16,410	
B-Dry, LLC	Buildings and Real Estate	Line of Credit, $0 available (6.5%, Due 5/2014)[(D)]	750	750	450
		Senior Term Debt (14.0%, Due 5/2014)[(D)]	6,433	6,443	3,866
		Senior Term Debt (14.0%, Due 5/2014)[(D)]	2,840	2,840	1,704
				300	

		Common Stock Warrants (85 shares)(C)(F)			
				10,333	6,020
Cavert II Holding Corp.	Containers, Packaging, and Glass	Senior Subordinated Term Debt (11.8%, Due 4/2016)(D)	2,200	2,200	2,258
		Subordinated Term Debt (13.0%, Due 4/2016)(D)	4,671	4,671	4,805
		Preferred Stock (18,446 shares)(C)(F)		1,844	2,803
				8,715	9,866
Country Club Enterprises, LLC	Automobile	Senior Subordinated Term Debt (18.6%, Due 11/2014)	4,000	4,000	4,000
		Preferred Stock (7,304,792 shares)(C)(F)		7,725	3,467
		Guaranty ($2,000)			
		Guaranty ($1,370)			
				11,725	7,467
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)(F)		3,375	3,511
		Common Stock (5,372 shares)(C)(F)		63	676
				14,351	15,100
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	653
		Common Stock (152 shares)(C)(F)		153	
				14,026	13,153
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Senior Subordinate Term Debt (13.5%, Due 1/2018)(H)	13,050	13,050	13,050
		Preferred Stock (18,898 shares)(C)(F)		9,393	8,783
		Common Stock (63,747 shares)(C)(F)		8	

				22,451	21,833
Mathey Investments, Inc.	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Senior Term Debt (10.0%, Due 3/2014)	1,375	1,375	1,375
		Senior Term Debt (12.0%, Due 3/2014)	3,727	3,727	3,727
		Senior Term Debt (12.5%, Due 3/2014)(E)	3,500	3,500	3,500
		Common Stock (29,102 shares)(C)(F)		777	5,817
				9,379	14,419

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2013

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)	Principal	Cost	Fair Value
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Subordinated Term Debt (13.0%, Due 10/2016)(D)	13,560	13,560	13,679
		Preferred Stock (27,900 shares)(C)(F)		2,790	3,051
		Common Stock (27,900 shares)(C)(F)		28	
				16,378	16,730
Noble Logistics, Inc.	Cargo Transport	Line of Credit, $0 available (10.5%, Due 1/2015)(D)	800	800	360
		Senior Term Debt (11.0%, Due 1/2015)(D)	7,227	7,227	3,252
		Senior Term Debt (10.5%, Due 1/2015)(D)	3,650	3,650	1,643
		Senior Term Debt (10.5%, Due 1/2015)(D)(E)	3,650	3,650	1,643
		Preferred Stock (1,075,000 shares)(C)(F)		1,750	
		Common Stock (1,682,444 shares)(C)(F)		1,682	
				18,759	6,898
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Senior Term Debt (14.0%, Due 12/2015)	7,775	7,775	7,775
		Preferred Stock (19,091 shares)(C)(F)		1,909	2,273
		Common Stock (90,909 shares)(C)(F)		90	955
				9,774	11,003
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Preferred Stock (388 shares)(C)(F)		$ 2,950	$ 1,679
		Common Stock (35,242 shares)(C)(F)		447	

				3,397	1,679
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	2,253
		Common Stock (221,500 shares)[(C)(F)]		221	4,635
				13,570	18,243
Total Non-Control/Non-Affiliate Investments (represents 59.2% of total investments at fair value)				**$ 191,822**	**$ 169,751**
TOTAL INVESTMENTS[(I)]				**$ 326,421**	**$ 286,482**

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

(B) Percentages represent the weighted average interest rates in effect as of March 31, 2013, and due date represents the contractual maturity date.

(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, 2013.

(E) LOT of senior debt, meaning if the portfolio company is liquidated, the holder of the LOT is paid after the other senior debt and 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 million of the debt security participated to a third party but accounted for as collateral for a secured borrowing for GAAP purposes.

(I) Aggregate gross unrealized depreciation for federal income tax purposes is $78,959; aggregate gross unrealized appreciation for federal income tax purposes is $38,650. Net unrealized depreciation is $40,309 based on a tax cost of $326,792.

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

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GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 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 14 *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

Basis of Presentation

These *Consolidated Financial Statements* and the accompanying notes are prepared in accordance with GAAP and conform to Regulation S-X under the Securities Exchange Act of 1934, as amended. Management believes it has made all necessary adjustments so that our accompanying *Consolidated Financial Statements* are presented fairly and that all such adjustments are of a normal recurring nature. Our accompanying *Consolidated Financial Statements* include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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Revisions

Certain amounts in the prior year s financial statements have been revised to correct the presentation for the year ended March 31, 2014 with no effect on our financial condition or results of operations. The specific amounts that were revised relate to our change in the classification of certain of our investments between control, affiliate and non-control/non-affiliate. See *Classification of Investments* below for the current definition of each. The general change in the definition from prior reported periods to the year ended March 31, 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 years ended March 31, 2013, and 2012. The impact of the revisions are shown in the table below:

	As of March 31, 2013	
	As Previously Reported	As Revised
Investments at fair value		
Control investments	$ 243,803	$ 98,515
Affiliate investments	36,659	18,216
Non-Control/Non-Affiliate investments	6,020	169,751
Total investments at fair value	**$ 286,482**	**$ 286,482**

	Year Ended March 31, 2014		Year Ended March 31, 2013		Year Ended March 31, 2012	
	As Previously Reported	As Revised	As Previously Reported	As Revised	As Previously Reported	As Revised
Interest income						
Control investments			$ 17,568	$ 6,388	$ 12,548	$ 4,972
Affiliate investments			5,897	3,114	5,593	1,497
Non-Control/Non-Affiliate investments			1,329	15,292	1,440	13,112
Cash and cash equivalents			4	4	7	7
Total interest income	*	*	**24,798**	**24,798**	**19,588**	**19,588**
Other income						
Control investments			5,339	4,106	1,477	
Affiliate investments			401			
Non-Control/Non-Affiliate investments				1,634	177	1,654
Total other income	*	*	**5,740**	**5,740**	**1,654**	**1,654**
Expenses						
Non-revised expenses, in aggregate	19,266	19,266	15,378	15,378	8,659	8,659
Loan servicing fee		4,326		3,724		3,031
Expenses before credits from Adviser	19,266	23,592	15,378	19,102	8,659	11,690
Credit of loan servicing fee		(4,326)		(3,724)		(3,031)
Credits to fees	(2,309)	(2,309)	(1,328)	(1,328)	(1,160)	(1,160)
	16,957	**16,957**	**14,050**	**14,050**	**7,499**	**7,499**

Total expenses net of credits to fees						
Net realized gain						
Control investments			843	(6)	5,087	(269)
Non-Control/Non-Affiliate investments				849	4	5,360
Other			(41)	(41)	(40)	(40)
Total net realized gain	*	*	**802**	**802**	**5,051**	**5,051**
Net unrealized (depreciation) appreciation						
Control investments			9,480	27,740	3,045	396
Affiliate investments			(4,723)	(19,214)	(596)	1,945
Non-Control/Non-Affiliate investments			(3,953)	(7,722)	714	822
Other			(815)	(815)	9	9
Total net unrealized (depreciation) appreciation	*	*	**$ (11)**	**$ (11)**	**$ 3,172**	**$ 3,172**

*Not applicable

Additionally, certain investments in our *Consolidated Schedule of Investments* as of March 31, 2013 were moved based upon their new classifications.

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Classification of Investments

In accordance with the BDC regulations in the 1940 Act, we classify portfolio investments on our accompanying *Consolidated Statements of Assets and Liabilities*, *Consolidated Statements of Operations* and *Consolidated Schedules of Investments* into the following categories:

- **Control Investments** Control investments 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% of the issued and outstanding voting securities;
- **Affiliate Investments** Affiliate investments are those in which we own, with the power to vote, between 5% and 25% of the issued and outstanding voting securities that are not otherwise classified as Control Investments; and
- **Non-Control/Non-Affiliate Investments** Non-Control/Non-Affiliate investments are those that are neither Control nor Affiliate investments and in which we typically own less than 5% of the issued and outstanding voting securities.

Consolidation

Under Article 6 of Regulation S-X under the Securities Act of 1933, as amended, and the authoritative accounting guidance provided by the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which we have a controlling interest.

Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the amounts reported in our accompanying *Consolidated Financial Statements* and accompanying notes. Actual results may differ from those estimates.

Cash and cash equivalents

We consider all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Cash is carried at cost, which approximates fair value. We place our cash with financial institutions, and at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. We seek to mitigate this concentration of credit risk by depositing funds with major financial institutions.

Restricted Cash

Restricted cash is cash held in escrow that was generally received as part of an investment exit. Restricted cash is carried at cost, which approximates fair value.

Investment Valuation Policy

We carry our investments at fair value to the extent that market quotations are readily available and reliable and otherwise at fair value as determined in good faith by our board of directors (our Board of Directors). In determining the fair value of our investments, we have established an investment valuation policy (the Policy). The Policy 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 professionals from the Adviser and Administrator (the Valuation Team) have applied the Policy consistently and votes whether to accept the recommended valuation of our investment portfolio. Such determination of fair values may involve subjective judgments and estimates.

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The Valuation Team uses valuation techniques in accordance with GAAP to value our portfolio. From time to time, the Valuation Team may accept an appraisal of a business in which we hold securities. These appraisals are expensive and occur infrequently, but provide a third-party valuation opinion that may differ in results, techniques and scope used to value our investments. When the Valuation Team obtains these specific third-party appraisals, the Valuation Team uses estimates of value provided by such appraisals and its own assumptions, including estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date, to value our investments.

The Policy, summarized below, applies to publicly traded securities, securities for which a limited market exists and securities for which no market exists.

Publicly traded securities: The Valuation Team determines the value of a publicly traded security based on the closing price for the security on the exchange or securities market on which it is listed and primarily traded on the valuation date. To the extent that we own a restricted security that is not freely tradable, but for which a public market otherwise exists, the Valuation Team will use the market value of that security adjusted for any decrease in value resulting from the restrictive feature. As of March 31, 2014 and 2013, we did not have any investments in publicly traded securities.

Securities for which a limited market exists: The Valuation Team values securities that are not traded on an established secondary securities market, but for which a limited market for the security exists, such as certain participations in, or assignments of, syndicated loans, at the quoted bid price, which are non-binding. In valuing these assets, the Valuation Team assesses trading activity in an asset class and evaluates variances in prices and other market insights to determine if any available quoted prices are reliable. In general, if the Valuation Team concludes that quotes based on active markets or trading activity may be relied upon, firm bid prices are requested; however, if firm bid prices are unavailable, the Valuation Team bases the value of the security upon the indicative bid price (IBP) offered by the respective originating syndication agent s trading desk, or secondary desk, on or near the valuation date. To the extent that the Valuation Team uses the IBP as a basis for valuing the security, it may take further steps to consider additional information to validate that price in accordance with the Policy, including but not limited to reviewing a range of indicative bids to the extent the Valuation Team has ready access to such qualified information.

In the event these limited markets become illiquid such that market prices are no longer readily available, the Valuation Team will value our syndicated loans using alternative methods, such as estimated net present values of the future cash flows or discounted cash flows (DCF). The use of a DCF methodology follows that prescribed by the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which provides guidance on the use of a reporting entity s own assumptions about future cash flows and risk-adjusted discount rates when relevant observable inputs, such as quotes in active markets, are not available. When relevant observable market data does not exist, an alternative outlined in ASC 820 is the valuation of investments based on DCF. For the purposes of using DCF to provide fair value estimates, the Valuation Team considers multiple inputs, such as a risk-adjusted discount rate that incorporates adjustments that market participants would make, both for nonperformance and liquidity risks. As such, the Valuation Team develops a modified discount rate approach that incorporates risk premiums including, among other things, increased probability of default, higher loss given default or increased liquidity risk. The DCF valuations applied to the syndicated loans provide an estimate of what the Valuation Team believes a market participant would pay to purchase a syndicated loan in an active market, thereby establishing a fair value. The Valuation Team applies the DCF methodology in illiquid markets until quoted prices are available or are deemed reliable based on trading activity.

Securities for which no market exists: The valuation methodology for securities for which no market exists falls into four categories: (A) portfolio investments comprised solely of debt securities; (B) portfolio investments in controlled companies comprised of a bundle of securities, which can include debt and equity securities;

(C) portfolio investments in non-controlled companies comprised of a bundle of investments, which can include debt and equity securities; and (D) portfolio investments comprised of non-publicly traded, non-control equity securities of other funds.

(A) Portfolio investments comprised solely of debt securities: Debt securities that are not publicly traded on an established securities market, or for which a market does not exist (Non-Public Debt Securities), and that are issued by portfolio companies in which we have no equity or equity-like securities, are fair valued utilizing opinions of value submitted to the Valuation Team by Standard & Poor s Securities Evaluations, Inc. (SPSE) and its own assumptions in the absence of observable market data, including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. The Valuation Team may also submit paid-in-kind (PIK) interest to SPSE for its evaluation when it is determined that PIK interest is likely to be received.

(B) Portfolio investments in controlled companies comprised of a bundle of securities, which can include debt and equity securities: The fair value of these investments is determined based on the total enterprise value (TEV) of the portfolio company, or issuer, utilizing a liquidity waterfall approach under ASC 820 for our Non-Public Debt Securities and equity or equity-like securities (e.g., preferred equity, common equity or other equity-like securities) that are purchased together as part of a package, where we control or could gain control through an option or warrant security; both the debt and equity securities of the portfolio investment would exit in the mergers and acquisitions market as the principal market, generally through a sale or recapitalization of the portfolio company. We generally exit the debt and equity securities of an issuer at the same time. Applying the liquidity waterfall approach to all of our investments in an issuer, the Valuation Team first calculates the TEV of the issuer by incorporating some or all of the following factors:

- the issuer s ability to make payments;
- the earnings of the issuer;
- recent sales to third parties of similar securities;
- the comparison to publicly traded securities; and
- DCF or other pertinent factors.

In gathering the sales to third parties of similar securities, the Valuation Team generally references industry statistics and may use outside experts. TEV is only an estimate of value and may not be the value received in an actual sale. Once the Valuation Team has estimated the TEV of the issuer, it will subtract the value of all the debt securities of the issuer, which are valued at the contractual principal balance. Fair values of these debt securities are discounted for any shortfall of TEV over the total debt outstanding for the issuer. Once the values for all outstanding senior securities, which include all the debt securities, have been subtracted from the TEV of the issuer, the remaining amount, if any, is used to determine the value of the issuer s equity or equity-like securities. If, in the Valuation Team s judgment, the liquidity waterfall approach does not accurately reflect the value of the debt component, the Valuation Team may recommend that we use a valuation by SPSE, or, if that is unavailable, a DCF valuation technique.

(C) **Portfolio investments in non-controlled companies comprised of a bundle of securities, which can include debt and equity securities:** The Valuation Team values Non-Public Debt Securities that are purchased together with equity or equity-like securities from the same portfolio company, or issuer, for which we do not control or cannot gain control as of the measurement date, using a hypothetical secondary market as our principal market. In accordance with ASC 820 (as amended by the FASB s Accounting Standards Update 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 Valuation Team has defined our unit of account at the investment level (either debt or equity) and as such determines our fair value of these non-control investments assuming the sale of an individual security using the standalone premise of value. As such, the Valuation Team estimates the fair value of the debt component using estimates of value provided by SPSE and its own assumptions in the absence of observable market data, including synthetic credit ratings, estimated remaining life, current market yield and interest rate spreads of similar securities as of the measurement date. For equity or equity-like securities of investments for which we do not control or cannot gain control as of the measurement date, the Valuation Team estimates the fair value of the equity based on factors such as the overall value of the issuer, the relative fair value of other units of account, including debt, or other relative value approaches. Consideration is also given to capital structure and other contractual obligations that may impact the fair value of the equity. Furthermore, the Valuation Team may utilize comparable values of similar companies, recent investments and indices with similar structures and risk characteristics or DCF valuation techniques and, in the absence of other observable market data, its own assumptions.

(D) Portfolio investments comprised of non-publicly traded, non-control equity securities of other funds: The Valuation Team generally values any uninvested capital of the non-control fund at par value and values any invested capital at the net asset value (NAV) provided by the non-control fund.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly and materially from the values that would have been obtained had a ready market for the securities existed. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. There is no single standard for determining fair value in good faith, as fair value depends upon circumstances of each individual case. At times, the estimates of fair value calculated by the various valuation techniques (inclusive of the third-party valuations we receive) may materially differ from one another, resulting in a range of potential values. In these circumstances, the Valuation Team comes to its valuation conclusion based on all facts and circumstances considered, which is then presented to the Board for review and ultimate approval. In general, fair value is the amount that the Valuation Team might reasonably expect us to receive upon the current sale of the security in an orderly transaction between market participants at the measurement date.

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 March 31, 2014, our loans to Tread Corp. (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. As of March 31, 2013, ASH Holdings Corp. (ASH) and Tread were on non-accrual, with an aggregate debt cost basis of $24.9 million, or 10.4% 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. To maintain our status as a RIC, this non-cash source of income must be included in our calculation of distributable income for purposes of complying with our distribution requirements, even though we have not yet collected the cash. During the year ended March 31, 2014, we recorded PIK income of $0.1

million. We did not hold any loans in our portfolio that contained a PIK provision during the year ended March 31, 2013. During the year ended March 31, 2012, we recorded PIK income of $7.

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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 recorded $4.2 million of success fees in aggregate during the year ended March 31, 2014 related to debt exits or prepayments from Venyu Solutions, Inc. (Venyu), Channel Technologies Group, LLC (Channel), Cavert II Holding Corp. (Cavert), SOG Specialty K&T, LLC (SOG), Mathey Investments, Inc. (Mathey and Frontier Packaging, Inc. (Frontier). We recorded $0.8 million of success fees during the year ended March 31, 2013, representing prepayments received from Mathey and Cavert. During the year ended March 31, 2012, we recorded success fees of $0.7 million representing prepayments received from Mathey and Cavert.

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 year ended March 31, 2014, we recorded $1.4 million in dividend income related to the exit of Venyu. We recorded $4.1 million and $0.7 million in dividend income during the year ended March 31, 2013, on accrued preferred shares of Galaxy and Acme Cryogenics, Inc. (Acme), respectively. During the year ended March 31, 2012, we recorded and collected $0.7 million of dividends on accrued preferred shares in connection with the recapitalization of Cavert.

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

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Portfolio Investments

Gains or losses on the sale of investments are calculated by using the specific identification method. A realized gain or loss is recognized at the trade date, typically when an investment is disposed of, and is computed as the difference between our cost basis in the investment at the disposition date and the net proceeds received from such disposition. Unrealized appreciation or depreciation displays the difference between the fair value of the investment and the cost basis of such investment. We must determine the fair value of each individual investment on a quarterly basis and record changes in fair value as unrealized appreciation or depreciation in our *Consolidated Statement of Operations*.

Deferred Financing Costs

Deferred financing costs consist of costs incurred to obtain financing, including legal fees, origination fees and administration fees. Costs associated with our line of credit and the issuance of the 7.125% Series A Cumulative Term Preferred Stock, par value $0.001 per share (Term Preferred Stock), are deferred and amortized using the straight-line method, which approximates the effective interest method, over the terms of the respective financings. See Note 6 *Mandatorily Redeemable Preferred Stock* for further discussion on the Term Preferred Stock.

Related Party Costs

We have entered into an investment advisory and management agreement (the Advisory Agreement) with the Adviser, which is controlled by our chairman and chief executive officer. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee.

We have entered into an administration agreement (the Administration Agreement) with the Administrator whereby we pay separately for administrative services. These fees are accrued when the services are performed and generally paid one month in arrears. Refer to Note 4 *Related Party Transactions* for additional information regarding these related party costs and agreements.

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Federal Income Taxes

We intend to continue to qualify for treatment as a RIC under subchapter M of the Code, which generally allows us to avoid paying corporate income taxes on any income or gains that we distribute to our stockholders. We have distributed and intend to distribute sufficient dividends to eliminate taxable income. In an effort to limit certain excise taxes imposed on RICs, we generally distribute during each calendar year, an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years.

ASC 740, Income Taxes requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authorities. Tax positions not deemed to satisfy the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. We have evaluated the implications of ASC 740 for all open tax years and in all major tax jurisdictions and determined that there is no material impact on our *Consolidated Financial Statements*. Our federal tax returns for fiscal years 2011, 2012 and 2013 remain subject to examination by the Internal Revenue Service.

Distributions

Distributions to stockholders are recorded on the ex-dividend date. We are required to pay out at least 90% of our ordinary income and short-term capital gains for each taxable year as a distribution to our stockholders to maintain our status as a RIC under Subtitle A, Chapter 1 of Subchapter M of the Code. It is our policy to pay out as a distribution up to 100% of those amounts. The amount to be paid out as a distribution is determined by the Board of Directors each quarter and is based on the annual earnings estimated by our management. Based on that estimate, a distribution is declared each quarter and is paid out monthly over the course of the respective quarter. At year-end, we elected to treat a portion of the first distribution paid after year-end as having been paid in the prior year, in accordance with Section 855(a) of the Code. Additionally, at year-end, we may pay a bonus distribution in addition to the monthly distributions to ensure that we have paid out at least 90% of its ordinary income and short-term capital gains for the year. We typically retain long-term capital gains, if any, and do not pay them out as distributions. If we decide to retain long-term capital gains, the portion of the retained capital gains, net of any capital loss carryforward, if applicable, will be subject to a 35% tax.

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 we anticipate no impact from adopting this standard on our financial position or results of operations. We are currently assessing whether additional disclosure requirements will be necessary. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2013.

NOTE 3. INVESTMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC 820 provides a consistent definition of fair value that 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 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

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Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active or inactive markets and inputs that are observable for the asset or liability, 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 asset or liability and can include our own assumptions based upon the best available information.

As of March 31, 2014 and 2013, all of our investments were valued using Level 3 inputs. We transfer investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the years ended March 31, 2014 and 2013, there were no transfers in or out of Level 1, 2 and 3.

The following table presents the financial assets carried at fair value as of March 31, 2014 and 2013, by caption on our accompanying *Consolidated Statements of Assets and Liabilities* and by security type for each of the three applicable levels of hierarchy established by ASC 820 that we used to value our financial assets:

	Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities*	
	March 31, 2014	**March 31, 2013**
Control Investments		
Senior debt	$	$ 22,246
Senior subordinated debt	15,520	34,520
Preferred equity	5,584	41,749
Total Control Investments	**21,104**	**98,515**
Affiliate Investments		
Senior debt	60,391	17,573
Senior subordinated debt	2,400	
Preferred equity	25,058	643
Total Affiliate Investments	**87,849**	**18,216**
Non-Control/Non-Affiliate Investments		
Senior debt	109,479	64,063
Senior subordinated debt	52,907	52,291
Preferred equity	32,259	39,765
Common equity/equivalents	10,795	13,632
Total Non-Control/Non-Affiliate Investments	**205,440**	**169,751**
Total Investments at fair value using Level 3 inputs	**$ 314,393**	**$ 286,482**

Cash Equivalents using Level 1 inputs		65,000
Total Investments and Cash Equivalents	**$ 314,393**	**$ 351,482**

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In accordance with ASU 2011-04, the following table provides quantitative information about our Level 3 fair value measurements of our investments as of March 31, 2014 and 2013. In addition to the techniques and inputs noted in the table below, according to our valuation policy, the Adviser may also use other valuation techniques and methodologies when determining our fair value measurements. 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 as of March 31, 2014	Fair Value as of March 31, 2013	Valuation Technique/ Methodology	Unobservable Input	Range / Weighted Average as of March 31, 2014	Range / Weighted Average as of March 31, 2013
Senior debt	**$ 115,081**	$ 69,544	TEV	EBITDA multiples(B)	3.4x 7.3x / 5.1x	4.6x 7.3x / 5.6x
				EBITDA(B)	$1,558 $6,230 / $3,609	($997) $6,640 / $3,752
	54,789	34,338	SPSE(A)	EBITDA(B)	$118 $3,818 / $1,956	$29 $3,225 / $1,248
				Risk Ratings(C)	4.3 6.0 / 5.2	3.7 6.9 / 5.1
Senior subordinated debt	**49,470**	66,070	TEV	EBITDA multiples(B)	4.1x 7.3x / 5.0x	4.5x 9.7x / 6.5x
				EBITDA(B)	$36 $6,156 / $4,159	($2,866) $8,695 / $4,400
	21,357	20,741	SPSE(A)	EBITDA(B)	$5,446 $9,978 / $7,072	$5,169 $6,026 / $5,738
				Risk Ratings(C)	5.3 5.8 / 5.5	4.1 6.2 / 4.8
Preferred equity	**62,901**	82,157	TEV	EBITDA multiples(B)	3.5x 8.5x / 5.1x	4.2x 9.7x / 5.9x
				EBITDA(B)	$36 $10,621 / $4,266	($2,866) $8,695 / $4,344
Common equity/equivalents	**10,795**	13,632	TEV	EBITDA multiples(B)	3.4x 16.0x / 10.5x	3.7x 7.8x / 6.2x
				EBITDA(B)	$36 $10,621 / $6,008	($2,866) $6,026 / $1,959
Total	**$ 314,393**	$ 286,482				

(A) SPSE makes an independent assessment of the data the Adviser submits to them (which includes the financial and operational performance, as well as the Adviser s internally assessed risk ratings of the portfolio companies see footnote (C) below) and its own independent data to form an opinion as to what they consider to be the market values for our securities. With regard to its work, SPSE has stated that the data submitted to us is proprietary in nature.

(B) Adjusted earnings before interest expense, taxes, depreciation and amortization (EBITDA) is an unobservable input, which is generally based on the most recently available trailing twelve month financial statements submitted to the Adviser from the portfolio companies. EBITDA multiples, generally indexed, represent the Adviser s estimate of where market participants might price these investments. For our bundled debt and equity investments, the EBITDA and EBITDA multiple inputs are used in the TEV fair value determination, and the issuer s debt, equity, and/or equity-like securities are valued in accordance with the Adviser s liquidity waterfall approach. In limited cases, the revenue from the most recently available trailing twelve month financial statements submitted to the Adviser from the portfolio companies and the related revenue multiples, generally indexed, are used to provide a TEV fair value determination of our bundled debt and equity investments.

(C) As part of the Adviser s valuation procedures, it risk rates all of our investments in debt securities. The Adviser uses a proprietary risk rating system for all debt securities. The Adviser s risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. The risk rating system covers both qualitative and quantitative aspects of the portfolio company business and the securities we hold.

A portfolio company s EBITDA and EBITDA multiples are the significant unobservable inputs generally included in the Adviser s internally assessed TEV models used to value our proprietary debt and equity investments. Holding all other factors constant, increases (decreases) in the EBITDA and/or the EBITDA multiples inputs would result in a higher (lower) fair value measurement. Per our Policy, the Adviser generally uses an indexed EBITDA multiple in these TEVs. EBITDA and EBITDA multiple inputs do not have to directionally correlate since EBITDA is a company performance metric and EBITDA multiples can be influenced by market, industry, company size and other factors.

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Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value, broken out by security type, during the years ended March 31, 2014 and 2013 for all investments for which we determine fair value using unobservable (Level 3) factors. When a determination is made to classify a financial instrument 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 (that is, components that are actively quoted and can be validated to external sources). In these cases, we categorize the fair value measurement in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Accordingly, the gains and losses in the tables below include changes in fair value, due in part to observable factors that are part of the valuation methodology.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Fiscal Year 2014:

	Senior Debt	**Senior Subordinated Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Year ended March 31, 2014:					
Fair value as of March 31, 2013	$ 103,882	$ 86,811	$ 82,157	$ 13,632	$ 286,482
Total (loss) gain:					
Net realized (loss) gain(A)	(2,856)	(6,050)	18,806	(1,659)	8,241
Net unrealized depreciation(B)	3,165	(660)	(25,000)	(5,921)	(28,416)
Reversal of previously-recorded depreciation (appreciation) upon realization(B)	2,274	5,874	(10,644)	1,706	(790)
New investments, repayments and settlements(C):					
Issuances / Originations	88,267	11,818	32,067	139	132,291
Settlements / Repayments	(24,862)	(26,966)			(51,828)
Sales			(31,535)	(52)	(31,587)
Transfers(D)			(2,950)	2,950	
Fair value as of March 31, 2014	**$ 169,870**	**$ 70,827**	**$ 62,901**	**$ 10,795**	**$ 314,393**

Fiscal Year 2013:

	Senior Debt	**Senior Subordinated Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Year ended March 31, 2013:					
Fair value as of March 31, 2012	$ 94,886	$ 70,661	$ 46,669	$ 13,436	$ 225,652
Total gain (loss):					
Net realized gain(A)				843	843
Net unrealized (depreciation) appreciation(B)	(16,273)	(6,935)	24,562	(550)	804

New investments, repayments and settlements[C]:					
Issuances / Originations	35,132	33,271	18,925	279	87,607
Settlements / Repayments	(9,863)	(15,380)			(25,243)
Sales			(2,305)	(876)	(3,181)
Transfers[D]		5,194	(5,694)	500	
Fair value as of March 31, 2013	**$ 103,882**	**$ 86,811**	**$ 82,157**	**$ 13,632**	**$ 286,482**

(A) Included in Net realized (loss) gain on investments on our accompanying *Consolidated Statements of Operations* for the years ended March 31, 2014 and 2013.

(B) Included in Net unrealized (depreciation) appreciation of investments on our accompanying *Consolidated Statements of Operations* for the years ended March 31, 2014 and 2013.

(C) 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.

(D) 2014: Transfers represent $3 million of preferred equity of Quench Holding Corp. (Quench), at cost, as of September 30, 2013, which was converted into common equity during the quarter ended December 31, 2013.

2013: Transfer represents $3 million of senior subordinated term debt from Tread, at cost, as of June 30, 2012, that we converted into preferred and common equity during the quarter ended September 30, 2012, and $8.2 million of preferred stock from Galaxy, at cost, as of December 31, 2012, that we converted into senior subordinated term debt as part of a recapitalization in the quarter ended March 31, 2013.

Investment Activity

During the year ended March 31, 2014, the following significant transactions occurred:

In April 2013, we invested $17.7 million in Jackrabbit, Inc. (Jackrabbit) through a combination of debt and equity. Jackrabbit, headquartered in Ripon, California, is a manufacturer of nut harvesting equipment.

In May 2013, we invested $8.8 million in Funko, LLC (Funko) through a combination of debt and equity. Funko, headquartered in Lynnwood, Washington, is a designer, importer and marketer of pop-culture collectibles. This was our first co-investment with one of our affiliated funds, Gladstone Capital Corporation (Gladstone Capital), pursuant to an exemptive order granted by the SEC in July 2012.

In June 2013, we invested $9 million in Star Seed, Inc. (Star Seed) through a combination of debt and equity. Based in Osborne, Kansas, Star Seed provides its customers with a variety of specialty seeds and related products.

In August 2013, we invested $20 million in Schylling, Inc. (Schylling) through a combination of debt and equity. Schylling, headquartered in Rowley, Massachusetts, is a premier provider of high quality specialty toys.

In August 2013, Venyu was sold. As a result of the sale, we received net cash proceeds of $32.2 million, resulting in a realized gain of $24.8 million and dividend income of $1.4 million. In addition, we received full repayment of our debt investment of $19 million in principal repayment and $1.9 million in fee income.

In October 2013, we invested $16.3 million in Alloy Die Casting Co. (ADC) through a combination of debt and equity. ADC, headquartered in Buena Park, California, is a manufacturer of high quality, finished aluminum and zinc castings for aerospace, defense, aftermarket automotive and industrial applications. Gladstone Capital also participated as a co-investor by providing $7 million of debt and equity financing at the same price and terms as our investment.

In October 2013, we received full repayment of our debt investments in Channel Technologies Group, LLC (Channel) in the aggregate amount of $16.2 million. We also received prepayment and success fee income in the amount of $0.8 million. Simultaneously, we invested $1.3 million in additional preferred and common equity securities in Channel.

In October 2013, ASH, which was on non-accrual, was sold to certain members of its existing management team. As a result of the sale, we received $12 in net cash proceeds, recognized a realized loss of $11.4 million and have retained a $5 million accruing revolving credit facility in ASH.

In November 2013, Packerland Whey Products, Inc. (Packerland) was sold to other existing owners at Packerland. As a result of the sale, we received $0.7 million in net cash proceeds and recognized a realized loss of $1.8 million.

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In December 2013, we received full repayment of our remaining debt investments in Cavert II Holding Corp. (Cavert) in the aggregate amount of $6.1 million. We also received prepayment and success fee income in the amount of $0.2 million. As of December 31, 2013, we have an equity investment of preferred stock in Cavert with a cost basis of $1.8 million and fair value of $3 million.

In December 2013, Quench was recapitalized, resulting in all preferred stock holders, including our preferred stock investment of $3 million, being converted into common stock.

In December 2013, we invested $12.9 million in Behrens Manufacturing, LLC (Behrens) through a combination of debt and equity. Behrens, headquartered in Winona, Minnesota, is a manufacturer and marketer of high quality, classic looking, utility products and containers. Gladstone Capital also participated as a co-investor by providing $5.5 million of debt and equity financing at the same price and terms as our investment.

In December 2013, we invested $13 million in Meridian Rack & Pinion, Inc. (Meridian) through a combination of debt and equity. Meridian, headquartered in San Diego, California, is a provider of aftermarket and OEM replacement automotive parts, which it sells through both wholesale channels and online at www.BuyAutoParts.com. Gladstone Capital also participated as a co-investor by providing $5.6 million of debt and equity financing at the same price and terms as our investment.

In February 2014, we invested $13.1 million in Head Country Inc. (Head Country) through a combination of debt and equity. Head Country, headquartered in Ponca City, OK, is a manufacturer of a leading BBQ sauce brand with three BBQ flavors currently as well as seasonings and marinades.

In February 2014, we invested $15.7 million in Edge Adhesives Holdings, Inc. (Edge) through a combination of debt and equity. Edge, headquartered in Fort Worth, TX, is a developer and manufacturer of innovative adhesives, sealants, tapes and related solutions used in building products, transportation and electrical, among other markets. Gladstone Capital also participated as a co-investor by providing $11.1 million of debt and equity financing at the same price and terms as our investment.

In February 2014, we invested $2.6 million in NDLI Acquisition Inc. (NDLI) through equity to facilitate its purchase of certain of Noble s assets out of bankruptcy. In connection with this transaction, we wrote off our equity investments in Noble and recorded a realized loss of $3.4 million. Refer to Note 15, Subsequent Events, for further activity related to this investment occurring subsequent to March 31, 2014.

Investment Concentrations

As of March 31, 2014, our investment portfolio consisted of investments in 29 portfolio companies located in 14 states across 14 different industries with an aggregate fair value of $314.4 million, of which our investments in SOG Specialty K&T, LLC (SOG), Acme Cryogenics, Inc. (Acme), and Galaxy Tool Holdings Corp. (Galaxy), our three largest portfolio investments at fair value, collectively comprised $70.9 million, or 22.6%, of our total investment portfolio at fair value. The following table summarizes our investments by security type as of March 31, 2014 and 2013:

	March 31, 2014				March 31, 2013			
	Cost		Fair Value		Cost		Fair Value	
Senior debt	**$ 196,293**	**51.2%**	**$ 169,870**	**54.0%**	$ 135,745	41.6%	$ 103,882	36.3%
Senior subordinated debt	**82,348**	**21.5**	**70,827**	**22.5**	103,547	31.7	86,811	30.3
Total debt	**278,641**	**72.7**	**240,697**	**76.5**	239,292	73.3	190,693	66.6
Preferred equity	**98,099**	**25.6**	**62,901**	**20.0**	81,710	25.0	82,157	28.7
Common equity/equivalents	**6,797**	**1.7**	**10,795**	**3.5**	5,419	1.7	13,632	4.7
Total equity/equivalents	**104,896**	**27.3**	**73,696**	**23.5**	87,129	26.7	95,789	33.4
Total Investments	**$ 383,537**	**100.0%**	**$ 314,393**	**100.0%**	$ 326,421	100.0%	$ 286,482	100.0%

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Investments at fair value consisted of the following industry classifications as of March 31, 2014 and 2013:

	March 31, 2014		March 31, 2013	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Manufacturing	**$ 54,845**	**17.4%**	$ 32,698	11.4%
Chemicals, Plastics, and Rubber	**52,753**	**16.8**	59,170	20.7
Leisure, Amusement, Motion Pictures, Entertainment	**39,867**	**12.7**	29,822	10.4
Machinery (Non-agriculture, Non-construction, Non-electronic)	**25,917**	**8.2**	32,662	11.4
Automobile	**25,735**	**8.2**	7,467	2.6
Home and Office Furnishings, Housewares, and Durable Consumer Products	**21,188**	**6.7**	23,512	8.2
Farming and Agriculture	**20,557**	**6.5**		
Aerospace and Defense	**18,512**	**5.9**	20,876	7.3
Containers, Packaging, and Glass	**17,889**	**5.7**	23,019	8.0
Beverage Food and Tobacco	**13,050**	**4.2**	369	0.1
Personal and Non-Durable Consumer Products (Manufacturing Only)	**10,005**	**3.2**		
Buildings and Real Estate	**7,575**	**2.4**	6,020	2.2
Cargo Transport	**6,500**	**2.1**	6,897	2.4
Electronics			43,970	15.3
Total Investments	**$ 314,393**	**100.0%**	$ 286,482	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of March 31, 2014 and 2013:

	March 31, 2014		March 31, 2013	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
West	**$ 117,781**	**37.5%**	$ 81,400	28.4%
South	**89,915**	**28.6**	125,518	43.8
Northeast	**67,862**	**21.6**	58,319	20.4
Midwest	**38,835**	**12.3**	21,245	7.4
Total Investments	**$ 314,393**	**100.0%**	$ 286,482	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.

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Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of our investment portfolio for the next five fiscal years and thereafter, assuming no voluntary prepayments, as of March 31, 2014:

		Amount
For the fiscal year ending March 31:	2015	$ 56,386
	2016	30,190
	2017	43,314
	2018	51,983
	2019	89,181
	Thereafter	7,587
	Total contractual repayments	**$ 278,641**
	Investments in equity securities	104,896
	Total cost basis of investments held as of March 31, 2014:	**$ 383,537**

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 *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 March 31, 2014 and 2013, we had gross receivables from portfolio companies of $0.9 million and $1.2 million, respectively. The allowance for uncollectible receivables was $163 and $44 as of March 31, 2014 and 2013, respectively.

NOTE 4. RELATEDPARTY 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 9, 2013, our Board of Directors approved the renewal of the Advisory Agreement through August 31, 2014.

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The following table summarizes the management fees, incentive fees and associated credits reflected in our accompanying *Consolidated Statements of Operations*:

	Year Ended March 31,		
	2014	**2013**	**2012**
Average total assets subject to base management fee(A)	**$ 310,350**	$ 270,600	$ 219,300
Multiplied by prorated annual base management fee of 2%	**2.0%**	2.0%	2.0%
Base management fee(B)	**6,207**	5,412	4,386
Credit for fees received by Adviser from the portfolio companies	**(2,309)**	(1,107)	(1,106)
Net base management fee	**$ 3,898**	$ 4,305	$ 3,280
Loan servicing fee(B)	**4,326**	3,724	3,031
Credit of loan servicing fee(B)	**(4,326)**	(3,724)	(3,031)
Net loan servicing fee	**$**	$	$
Incentive fee(B)	**3,983**	2,585	19
Credit from waiver issued by Adviser s board of directors		(221)	(54)
Net Incentive fee	**$ 3,983**	$ 2,364	$ (35)
Total credits to fees:			
Credit for fees received by Adviser from the portfolio companies	**(2,309)**	(1,107)	(1,106)
Credit from waiver issued by Adviser s board of directors		(221)	(54)
Other Credit to fees(B)	**(2,309)**	(1,328)	(1,160)
Credit for loan servicing fee(B)	**(4,326)**	(3,724)	(3,031)
Total credit to fees	**$ (6,635)**	$ (5,052)	$ (4,191)

(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 *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 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 March 31, 2014, as cumulative net unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

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 March 31, 2014.

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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, internal counsel and secretary 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 companies serviced by the Administrator under similar agreements. On July 9, 2013, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2014.

Related Party Fees Due

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

	As of March 31,	
	2014	**2013**
Base management fee due to Adviser	**$ 63**	$ 625
Incentive fee due to Adviser	**1,161**	1,454
Other due to (from) Adviser	**1**	(12)
Total fees due to Adviser	**$ 1,225**	$ 2,067
Fee due to Administrator	**$ 224**	$ 221
Total related party fees due	**$ 1,449**	$ 2,288

NOTE 5. BORROWINGS

Line of Credit

On April 30, 2013, we, through our wholly-owned subsidiary, Business Investment, entered into a fifth amended and restated credit agreement 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 increase the commitment amount of the revolving line of credit (the Credit Facility) from $60 million to $70 million and to extend the revolving period to April 30, 2016. If not renewed or extended by April 30, 2016, all principal and interest will be due and payable on or before April 30, 2017 (one year after the revolving period end date). In addition, there is one remaining one-year extension option to be agreed upon by all parties, which may be exercised on or before April 30, 2015. Subject to certain terms and conditions, the Credit Facility may be expanded up to a total of $200 million through the addition of other lenders to the facility. Advances under the Credit Facility generally bear interest at 30-day LIBOR, plus 3.75% per annum, with an unused fee of 0.50% on undrawn amounts. We incurred fees of $0.3 million in connection with this amendment.

On June 12, 2013, we further increased the borrowing capacity under the Credit Facility from $70 million to $105 million by entering into Joinder Agreements pursuant to the Credit Facility, by and among Business Investment, the Administrative Agent, the Adviser and each of Alostar Bank of Commerce and Everbank Commercial Finance, Inc.

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

	As of March 31,	
	2014	**2013**
Commitment amount	**$ 105,000**	$ 60,000
Borrowings outstanding at cost	**61,250**	31,000
Availability	**43,750**	29,000

	For the Years Ended March 31,		
	2014	**2013**	**2012**
Weighted average borrowings outstanding	**$ 34,632**	$ 15,533	$ 7,336
Effective interest rate[(A)]	**4.90%**	5.49%	10.0%
Commitment (unused) fees incurred	**$ 318**	$ 225	$ 371

(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.

Generally, our Credit Facility contains covenants that require Business Investment to, among other things, 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 March 31, 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 March 31, 2014, and as defined in the performance guaranty of our Credit Facility, we had a minimum net worth of $260.8 million, an asset coverage of 298% 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 March 31, 2014, Business Investment had 21 obligors. As of March 31, 2014, we were in compliance with all covenants.

We have entered into multiple interest rate cap agreements with BB&T and Keybank National Association that effectively limit the interest rate on a portion of our borrowings under the line of credit pursuant to the terms of our Credit Facility. The current agreement, which expires April 2016, provides that the interest rate on $45 million of our borrowings is capped at 6% when 30-day LIBOR is in excess of 6% that certain interest rate.

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Short-Term Loan

As of March 31, 2014, our asset composition satisfied the 50% threshold. However, excluding March 31, 2014, for each quarter end since June 30, 2009 (the measurement dates), we satisfied the 50% threshold to maintain our status as a RIC, in part, through the purchase of short-term qualified securities, which were funded primarily through a short-term loan agreement. Subsequent to each of the measurement dates, the short-term qualified securities matured, and we repaid the short-term loan, at which time we again fell below the 50% threshold. For example, for the December 31, 2013 measurement date, we purchased $10 million of short-term United States Treasury Bills (T-Bills) through Jefferies & Company, Inc. (Jefferies) on December 27, 2013. The T-Bills were purchased on margin using $1.5 million in cash and the proceeds from an $8.5 million short-term loan from Jefferies with an effective annual interest rate of 1.35%. On January 2, 2014, when the T-Bills matured, we repaid the $8.5 million loan from Jefferies and received the $1.5 million margin payment sent to Jefferies to complete the transaction.

Secured Borrowing

In August 2012, we entered into a participation agreement with a third-party related to $5 million of our senior subordinated term debt investment in Ginsey Home Solutions, Inc. (Ginsey). We evaluated whether the transaction should be accounted for as a sale or a financing-type transaction under the applicable guidance of ASC 860. Based on the terms of the participation agreement, we are required 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 *Consolidated Statements of Assists and Liabilities* reflects the entire senior subordinated term debt investment in Ginsey and a corresponding $5 million secured borrowing liability. The secured borrowing has a stated interest rate of 7%, a maturity date of January 3, 2018, and cost approximates fair value.

Fair Value

We elected to apply ASC 825, Financial Instruments, specifically for our Credit Facility and short-term loan, which was consistent with the application of ASC 820 to our investments. Generally, the Adviser estimates the fair value of our Credit Facility using estimates of value provided by an independent third party 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. Additionally, due to the seven-day duration of the short-term loan as of March 31, 2013, cost was deemed to approximate fair value. At each of March 31, 2014 and 2013, 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 March 31, 2014 and 2013, by caption on our accompanying *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 year ended March 31, 2014 and 2013:

	Level 3 Borrowings Total Recurring Fair Value Measurement Reported in *Consolidated Statements of Assets and Liabilities*	
	March 31, 2014	**March 31, 2013**
Short-Term Loan	$	$ 58,016
Credit Facility	**61,701**	31,854

Total	**$**	**61,701**	$	89,870

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

	Short-Term Loan	Credit Facility	Total Fair Value Reported in *Consolidated Statements of Assets and Liabilities*
Year ended March 31, 2014:			
Fair value as of March 31, 2013	$ **58,016**	**$ 31,854**	**$ 89,870**
Borrowings	**56,514**	**145,350**	**201,864**
Repayments	**(114,530)**	**(115,100)**	**(229,630)**
Net unrealized depreciation[a]		**(403)**	**(403)**
Fair value as of March 31, 2014	$	**$ 61,701**	**$ 61,701**
Year ended March 31, 2013:			
Fair value as of March 31, 2012	$ 76,005	$	$ 76,005
Borrowings	250,063	144,000	394,063
Repayments	(268,052)	(113,000)	(381,052)
Net unrealized appreciation[a]		854	854
Fair value as of March 31, 2013	**$ 58,016**	**$ 31,854**	**$ 89,870**

(A) Included in net unrealized (depreciation) appreciation on our accompanying *Consolidated Statement of Operations* for the year ended March 31, 2014 and 2013.

The fair value of the collateral under our Credit Facility was $288.6 million and $263.7 million as of March 31, 2014 and 2013, respectively. The fair value of the collateral under the short-term loan was $65 million as of March 31, 2013.

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 *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 the years ended March 31, 2014 and 2013, our Board of Directors declared and paid a monthly distribution of $0.1484375 per share, or $1.78125 per share in aggregate, to preferred stockholders.

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

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are treated as dividend expense on our accompanying *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 March 31, 2014 and 2013, was $42.4 million and $42.7 million, respectively.

Aggregate Term Preferred Stock distributions declared and paid for the years ended March 31, 2014 and 2013, were both $2.9 million. The tax character of distributions paid by us to preferred stockholders is from ordinary income.

NOTE 7. COMMON STOCK

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. The registration statement permits us 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.

On October 5, 2012, we completed a public offering of 4 million shares of our common stock at a public offering price of $7.50 per share, which was below our then current net asset value (NAV) per share. Gross proceeds totaled $30 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were $28.3 million, which was used to repay borrowings under our Credit Facility. In connection with the offering, the underwriters exercised their option to purchase an additional 395,825 shares at the public offering price to cover over-allotments, which resulted in gross proceeds of $3 million and net proceeds, after deducting underwriting discounts, of $2.8 million.

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

The following table sets forth the computation of basic and diluted net (decrease) increase in net assets resulting from operations per common share for the years ended March 31, 2014, 2013, and 2012:

	Year Ended March 31,		
	2014	**2013**	**2012**
Numerator for basic and diluted net (decrease) increase in net assets resulting from operations per common share	**$ (1,329)**	$ 17,279	$ 21,966
Denominator for basic and diluted weighted average common shares	**26,475,958**	24,189,148	22,080,133
Basic and diluted net (decrease) increase in net assets resulting from operations per common share	**$ (0.05)**	$ 0.71	$ 0.99

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

We are required to pay out as distributions 90% of our ordinary income and short-term capital gains for each taxable year in order to be taxed as a RIC under Subtitle A, Chapter 1, Subchapter M of the Code. The amount to be paid out as a distribution is determined by our Board of Directors each quarter and is based on our estimated taxable income by management. Based on that estimate, three monthly distributions are declared each quarter. For calendar years ended December 31, 2013, 2012 and 2011, 100% of our common distributions during these periods were deemed to be paid from ordinary income for 1099 shareholder reporting purposes.

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Our Board of Directors declared the following monthly distributions to common stockholders for the years ended March 31, 2014 and 2013:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share	
2014	April 9, 2013	April 22, 2013	April 30, 2013	**$**	**0.050**
	April 9, 2013	May 20, 2013	May 31, 2013		**0.050**
	April 9, 2013	June 19, 2013	June 28, 2013		**0.050**
	July 9, 2013	July 17, 2013	July 31, 2013		**0.050**
	July 9, 2013	August 19, 2013	August 30, 2013		**0.050**
	July 9, 2013	September 16, 2013	September 30, 2013		**0.050**
	October 8, 2013	October 22, 2013	October 31, 2013		**0.060**
	October 8, 2013	November 14, 2013	November 29, 2013		**0.060**
	October 8, 2013	November 18, 2013	November 29, 2013		**0.050**[(A)]
	October 8, 2013	December 16, 2013	December 31, 2013		**0.060**
	January 7, 2014	January 22, 2014	January 31, 2014		**0.060**
	January 7, 2014	February 19. 2014	February 28, 2014		**0.060**
	January 7, 2014	March 17, 2014	March 31, 2014		**0.060**
Year Ended March 31, 2014:					**$0.710**
2013	April 11, 2012	April 20, 2012	April 30, 2012	$	0.050
	April 11, 2012	May 18, 2012	May 31, 2012		0.050
	April 11, 2012	June 20, 2012	June 29, 2012		0.050
	July 10, 2012	July 20, 2012	July 31, 2012		0.050
	July 10, 2012	August 22, 2012	August 31, 2012		0.050
	July 10, 2012	September 19, 2012	September 28, 2012		0.050
	October 10, 2012	October 22, 2012	October 31, 2012		0.050
	October 10, 2012	November 19, 2012	November 30, 2012		0.050
	October 10, 2012	December 19, 2012	December 31, 2012		0.050
	January 8, 2013	January 18, 2013	January 31, 2013		0.050
	January 8, 2013	February 15, 2013	February 28, 2013		0.050
	January 8, 2013	March 15, 2013	March 28, 2013		0.050
Year Ended March 31, 2013:				**$**	**0.600**

(A) A bonus dividend on our common stock of $0.05 per share was declared by our Board of Directors.

Aggregate common distributions declared quarterly and paid for the years ended March 31, 2014 and 2013 were $18.8 million and $14.5 million, respectively, which were declared based on estimates of net investment income for the respective fiscal years. For the fiscal years ended March 31, 2014 and 2013, 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 and $3.1 million, respectively, of the first common distributions paid in fiscal year 2015 and

2014, respectively, as having been paid in the respective prior year.

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The components of net assets on a tax basis were as follows:

	Year Ended March 31,	
	2014	**2013**
Common stock	**$ 26**	$ 26
Paid-in-capital	**287,062**	287,713
Net unrealized depreciation of investments	**(69,283)**	(40,310)
Net unrealized depreciation of other	**(525)**	(883)
Undistributed ordinary income	**3,918**	3,106
Capital loss carryforward	**(216)**	(8,663)
Post October loss deferral		
Other temporary differences	**(163)**	(44)
Other	**18**	18
Net assets	**$ 220,837**	$ 240,963

We generally intend to retain realized gains first to the extent we have available capital loss carryforwards and second, through a deemed distribution. As of March 31, 2014, we had $0.2 million of capital loss carryforwards that expire in 2018.

For the years ended March 31, 2014 and 2013, we recorded the following adjustments for permanent book-tax differences to reflect tax character. Results of operations and net assets were not affected by this revision.

	Tax Year Ended March 31,	
	2014	**2013**
Undistributed net investment income	**$ 416**	$ 428
Accumulated net realized gain	**235**	
Paid-in-capital	**(651)**	(428)

The tax character of distributions paid by us to common stockholders is summarized as follows:

	Tax Year Ended March 31,		
	2014	**2013**	**2012**
Distributions from ordinary income	**$ 18,797**	$ 14,547	$ 13,579
Distributions from capital gains			
Distributions from return of capital			
Total common distributions	**$ 18,797**	$ 14,547	$ 13,579

NOTE 10. FEDERAL AND STATE INCOME TAXES

We intend to continue to qualify for treatment as a RIC under Subtitle A, Chapter 1 of Subchapter M of the Code. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To qualify as a RIC, we must meet certain source-of-income, asset diversification and annual distribution requirements. Under the annual distribution requirements, we are required to distribute to stockholders at least 90% of our investment company taxable income, as defined by the Code. Our practice has been to pay out as distributions up to 100% of that amount.

In an effort to limit certain excise taxes imposed on RICs, we generally distribute during each calendar year, an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. However, we did incur an excise tax of $0.3 million, $31 and $30 for the calendar years ended December 31, 2013, 2012, and 2011, respectively. Under the RIC Modernization Act (the RIC Act), we are permitted to carry forward capital losses incurred in taxable years beginning after March 31, 2011, for an unlimited period. However, any losses incurred during those future taxable years must be used prior to the losses

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incurred in pre-enactment taxable years, which carry an expiration date. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than only being considered short-term as permitted under previous regulation. Our total capital loss carryforward balance was $8.7 million as of March 31, 2013, and, primarily as a result of the net $8.2 million capital gain related to the Venyu, ASH, Packerland and Noble exits or partial exits and other tax realized loss adjustments during the year ended March 31, 2014, we anticipate that when we file taxes for the fiscal year ended March 31, 2014 we expect that all but $0.2 million in realized losses incurred in pre-enactment taxable years will be utilized during the fiscal year ended March 31, 2014.

NOTE 11. COMMITMENTS AND CONTINGENCIES

As of March 31, 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 March 31, 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 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 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 2012, 2013 and 2014 and will expire in February 2015, 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 million in individual customer transactions (the Recourse Facility) between Wells Fargo Financial Leasing, Inc. and CCE. The Recourse Facility provides CCE with the ability to provide vendor recourse up to a limit of $2 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.

The following table summarizes the dollar balance of unused line of credit commitments and guarantees as of March 31, 2014 and 2013:

	As of March 31,	
	2014	**2013**
Unused line of credit commitments	**$ 6,684**	$ 1,584
Guarantees	**3,628**	3,870
Total	**$ 10,312**	$ 5,454

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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 *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. The $0.6 million amount held on behalf of the other sellers is recorded in other liabilities on our accompanying *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 $35 and $41 as of March 31, 2014 and 2013, respectively.

NOTE 12. FINANCIAL HIGHLIGHTS

	Year Ended March 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Per Common Share Data:					
Net asset value at beginning of year(A)	**$ 9.10**	$ 9.38	$ 9.00	$ 8.74	$ 9.73
Income from investment operations(B)					
Net investment income	**0.73**	0.68	0.62	0.73	0.48
Net realized gain (loss) on investments and other	**0.31**	0.03	0.23	1.06	(1.63)
Net unrealized (depreciation) appreciation on investments and Other	**(1.09)**		0.14	(1.05)	0.65
Total from investment operations	**(0.05)**	0.71	0.99	0.74	(0.50)
Effect of equity capital activity					
Cash distributions to common stockholders from net investment income(C)	**(0.71)**	(0.60)	(0.61)	(0.48)	(0.48)
Shelf registration offering costs		(0.08)			(0.01)
Net dilutive effect of equity offering(D)		(0.31)			
Total from equity capital activity	**(0.71)**	(0.99)	(0.61)	(0.48)	(0.49)
Net asset value at end of year(A)	**$ 8.34**	$ 9.10	$ 9.38	$ 9.00	$ 8.74
Per common share market value at beginning of year	**$ 7.31**	$ 7.57	$ 7.79	$ 6.01	$ 3.67

Per common share market value at end of year	**8.27**	7.31	7.57	7.76	5.98
Total return(E)	**24.26**%	4.73%	5.58%	38.56%	79.80%
Common stock outstanding at end of year(A)	**26,475,958**	26,475,958	22,080,133	22,080,133	22,080,133

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	Year Ended March 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Statement of Assets and Liabilities Data:					
Net assets at end of year	**$ 220,837**	$ 240,963	$ 207,216	$ 198,829	$ 192,978
Average net assets[(F)]	**231,356**	216,751	204,595	192,893	191,112
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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NOTE 13. SELECTED QUARTERLY DATA (UNAUDITED)

	Quarter Ended			
Fiscal Year 2014	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

	Quarter Ended			
Fiscal Year 2013	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 August 30, 2013[(A)]	For the Year Ended March 31, 2013	For the Year Ended 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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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)	12,729
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 Credited to Income(C)	Value as of March 31, 2013	Gross Additions(D)	Gross Reductions(E)	Value as of March 31, 2014
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	Three Months Ended June 30, 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	Three Months Ended June 30, 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)]	$ 14,500	$ 14,500	$ 14,500
		Preferred Stock (898,814 shares)[(C)(F)]		6,984	12,396
		Common Stock (418,072 shares)[(C)(F)]		1,045	426
		Common Stock Warrants (465,639 shares)[(C)(F)]		25	
				22,554	27,322
Auto Safety House, LLC	Automobile	Revolving Credit Facility, $1,000 available (7.0%, Due 10/2018)[(D)(I)]	5,000	5,000	4,919
		Guaranty ($500)[(J)]			
		Guaranty ($250)[(J)]			
				5,000	4,919
B-Dry, LLC	Buildings and Real Estate	Line of Credit, $0 available (6.5%, Due 5/2015)[(D)]	750	750	563
		Senior Term Debt (13.5%, Due 5/2015)[(D)]	6,433	6,443	4,864
		Senior Term Debt (13.5%, Due 5/2015)[(D)]	2,840	2,840	2,137
		Common Stock Warrants (85 shares)[(C)(F)]		300	
				10,333	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.

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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
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)

ompany(A)	Industry	Investment(B)	Principal	Cost	Fair Valu
chylling vestments, LC	Leisure, Amusement, Motion Pictures, Entertainment	Senior Term Debt (13.0%, Due 8/2017)	13,081	13,081	13,081
		Preferred Stock (4,000 shares) (C)(F)		4,000	
				17,081	13,081
ar Seed, Inc.	Farming and Agriculture	Senior Term Debt (12.5%, Due 4/2018)	7,500	7,500	7,500
		Preferred Stock (1,499 shares)(C)(F)		1,499	
		Common Stock (600 shares)(C)(F)		1	
				9,000	7,500
otal Non-Control/Non-Affiliate Investments (represents 58.8% of total investments at fair value)				**$ 202,717**	**$ 189,309**
FFILIATE INVESTMENTS(L):					
lloy Die asting Corp.	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.5%, Due 10/2018)(D)	$ 12,215	$ 12,215	$ 12,230
		Preferred Stock (4,064 shares)(C)(F)		4,064	906
		Common Stock (630 share)(C)(F)		41	
				16,320	13,136
ehrens anufacturing, LC	Diversified/Conglomerate Manufacturing	Senior Term Debt (13.0%, Due 12/2018)	9,975	9,975	9,975
		Preferred Stock (2,923 shares) (C)(F)		2,922	3,232
				12,897	13,207
hannel echnologies roup, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares)(C)(F)		2,864	2,353
		Common Stock (2,279,020 shares)(C)(F)			
				2,864	2,353

anco cquisition orp.	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
dge Adhesives oldings, 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.

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	690
		Senior Term Debt (4.0%, Due 8/2015)(D)	2,575	2,575	515
		Senior Term Debt (4.0%, Due 8/2015)(D)	8,795	8,795	1,759
		Senior Term Debt (5.0%, Due 8/2015)(D)(E)	1,150	1,150	236
		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**

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 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 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 *Condensed Consolidated Statements of Assets and Liabilities*	
	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 (Topic820): 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 as of June 30, 2014	**Fair Value as 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**	
enior 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 / $3,60
	59,606	54,789	Yield Analysis	Discount Rate	8%	30% / 20%	8%	30% / 19%
enior 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%
referred 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 / $4,266
ommon 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 / $6,008
otal	**$ 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	
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

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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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. RELATEDPARTY 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 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 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 Assists 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, 2014	**March 31, 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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NOTE 7. COMMON STOCK

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**

	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**

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
Per Common Share Data		
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
Statement of Assets and Liabilities Data:		
Net assets at end of period	**$ 226,841**	$ 230,472
Average net assets(E)	**222,719**	237,146
Senior Securities Data(F):		
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
Ratios/Supplemental Data:		
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.

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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.

	For the Three Months Ended June 30,	
Income Statement(A)	**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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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

	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 to Income(C)	Value as of March 31, 2014	Gross Additions(D)	Gross Reductions(E)	Value as of June 30, 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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% Series B Cumulative Term Preferred Stock

PRELIMINARY PROSPECTUS SUPPLEMENT

Sole Book-Running Manager

Janney Montgomery Scott

Lead Manager

Sterne Agee

Co-Managers

BB&T Capital Markets	**J.J.B. Hilliard, W.L. Lyons, LLC**	**Wunderlich Securities, Inc.**	**Ladenburg Thalmann**

, 2014