

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

August 6, 2008

Gladstone Investment Corporation
(Exact name of registrant as specified in its chapter)

Delaware
(State or other jurisdiction
of incorporation)

814-00704
(Commission
File Number)

83-0423116
(IRS Employer
Identification No.)

1521 Westbranch Drive, Suite 200
McLean, Virginia
(Address of principal executive offices)

22102
(Zip Code)

Registrant's telephone number, including area code: **(703) 287-5800**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On August 6, 2008, Gladstone Investment Corporation issued a press release announcing its financial results for the quarter ended June 30, 2008. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

99.1 Press release issued August 6, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Gladstone Investment Corporation
(Registrant)

August 6, 2008

By: /s/ Mark Perrigo
(Mark Perrigo, Chief Financial Officer)

Gladstone Investment Corporation Reports Financial Results for the Quarter Ended June 30, 2008

- **Net Investment Income was \$3.1 million or \$0.15 per common share**
- **Net Decrease in Net Assets Resulting from Operations was \$4.5 million or \$0.22 per common share**

MCLEAN, Va.--(BUSINESS WIRE)--Gladstone Investment Corporation (NASDAQ:GAIN) (the "Company") today announced earnings for the first quarter ended June 30, 2008. All per share references are per basic and diluted weighted average common shares outstanding, unless otherwise noted.

Net Investment Income for the quarter ended June 30, 2008 was \$3.1 million, or \$0.15 per share, as compared to Net Investment Income for the quarter ended June 30, 2007 of \$2.9 million, or \$0.17 per share. The per share results were adversely impacted by the issuance of new shares in a rights offering subsequent to June 30, 2007, while the proceeds of the offering were not fully invested in income producing investments for the entire quarter ended June 30, 2008.

Net (Decrease) in Net Assets Resulting from Operations for the quarter ended June 30, 2008 was (\$4.5 million), or (\$0.22) per share, compared to the Net Increase in Net Assets Resulting from Operations of \$8.3 million, or \$0.50 per share, for the quarter ended June 30, 2007. The primary reason for the net decrease in net assets for the quarter was directly related to the increase in net unrealized depreciation on the Company's investment portfolio as well as the increase in weighted average shares as a result of a rights offering completed after June 30, 2007.

Net unrealized depreciation on investments for the quarter ended June 30, 2008 was \$5.8 million, as compared to net unrealized appreciation on investments for the quarter ended June 30, 2007 of \$5.4 million. The Company's investment portfolio was valued as of June 30, 2008 at a depreciated value due primarily to the general instability of the loan markets, partially offset by the use of a modified valuation procedure for the Company's non-control/non-affiliate investments. The value of the Company's portfolio is determined quarterly by its Board of Directors based in part on opinions of value provided by Standard and Poor's Securities Evaluations, Inc. ("SPSE"). Although the aggregate par value of the Company's investment portfolio depreciated during the quarter by approximately 1.8%, the entire portfolio is fair valued at approximately 94% of cost as of June 30, 2008. Despite this devaluation, all but two of the loans in the Company's portfolio were currently paying as agreed as of June 30, 2008. The unrealized depreciation of our investments does not have an impact on the Company's current ability to pay distributions to stockholders.

Total assets were \$367.9 million at June 30, 2008, as compared to \$352.3 million at March 31, 2008. Net asset value was \$10.77 per actual common share outstanding at June 30, 2008, as compared to \$12.47 per actual common share outstanding at March 31, 2008.

The annualized weighted average yield on the Company's portfolio of investments, excluding cash and cash equivalents, was 7.8% for the quarter ended June 30, 2008, compared to 9.1% for the quarter ended June 30, 2007. The weighted average yield varies from period to period based on the current stated interest rate on interest-bearing investments and the amounts of loans for which interest is not accruing. Recent reductions in interest rates in the U.S. financial markets (primarily LIBOR rates) have reduced the Company's income, negatively impacting financial results. Specifically, the Company has approximately \$138 million in syndicated loans that have their interest rate set based on LIBOR and that rate has decreased since the quarter ended June 30, 2007. The effect of the decrease in LIBOR has been mitigated by the presence of a rate floor on several of the other loans held in the Company's portfolio.

During the first quarter ended June 30, 2008, the Company recorded the following activity:

- Invested approximately \$5.75 million in senior debt and preferred stock in Tread Corporation, Inc.; and
- Sold nine syndicated loan participations for approximately \$13.2 million, realizing an aggregate net loss of approximately \$1.7 million on the transactions.

At June 30, 2008, the Company held 37 non-control/non-affiliate investments, six control investments and four affiliate investments, with an aggregate cost basis of approximately \$341.3 million and an aggregate fair value of approximately \$320.3 million as noted in the following schedule:

| | June 30, 2008 | |
|--------------------------------------|------------------------|-------------------|
| | Cost | Fair Value |
| | (dollars in thousands) | |
| Senior Term Debt | \$ 258,402 | \$ 235,714 |
| Senior Subordinated Term Debt | 44,349 | 35,211 |
| Subordinated Term Debt | 1,264 | 1,175 |
| Preferred & Common Equity Securities | 37,302 | 48,199 |
| Total Investments | \$ 341,317 | \$ 320,299 |

“Our investing activity continues to provide junior capital in partnership with and support of equity sponsors, where we provide mezzanine financing, including equity co-investments. We are also pursuing our efforts in the control investment category, as evidenced by our investment of \$5.75 million in Tread Corporation consisting of debt and preferred equity during the quarter,” said Dave Dullum, President.

Subsequent to June 30, 2008, the Company:

- Renewed the investment advisory and management agreement with Gladstone Management Corporation and the administration agreement with Gladstone Administration, LLC through August 31, 2009;
- Exited a syndicated loan through a foreclosure sale in which the Company received approximately \$465 in cash and recorded a realized loss of approximately \$2.9 million; and
- Declared monthly cash dividends of \$0.08 per common share for each of the months of July, August and September 2008.

The financial statements below are without footnotes. The Company has filed a Form 10-Q today for the first quarter ended June 30, 2008 with the Securities and Exchange Commission (the “SEC”), which can be retrieved from the SEC’s website at www.sec.gov or from the Company’s web site at www.GladstoneInvestment.com. A paper copy can be obtained free of charge by writing to us at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

The Company will hold a conference call on Thursday, August 7, 2008 at 8:30 am EDT to discuss first quarter financial results. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions.

A replay of the conference call will be available through September 7, 2008. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 292108. The replay will be available approximately two hours after the call concludes.

The live audio broadcast of Gladstone Investment's quarterly conference call will be available online at www.GladstoneInvestment.com and www.investorcalendar.com. The online replay will follow shortly after the call and will be available through November 7, 2008.

Gladstone Investment Corporation is an investment company that seeks to make debt and equity investments in small and mid-sized private businesses in the U.S. in connection with acquisitions, changes in control and recapitalizations. For more information please visit our website at <http://www.GladstoneInvestment.com>.

For further information contact Kerry Finnegan at 703-287-5893.

This press release may include statements that may constitute "forward-looking statements," including statements with regard to the future performance of the Company. Words such as "should," "believes," "feel," "expects," "projects," "strive," "goals," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended March 31, 2008, as filed with the SEC on May 21, 2008 and the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed on August 6, 2008. The risk factors set forth in the Form 10-K and Form 10-Q under the caption "Risk Factors" are specifically incorporated by reference into this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

| | Three Months Ended | |
|--|---------------------------|-----------------|
| | June 30, | |
| | 2008 | 2007 |
| INVESTMENT INCOME | | |
| Interest income | | |
| Non-Control/Non-Affiliate investments | \$ 2,324 | \$ 3,249 |
| Control investments | 2,569 | 2,565 |
| Affiliate investments | 1,111 | 426 |
| Cash and cash equivalents | 24 | 54 |
| Total interest income | <u>6,028</u> | <u>6,294</u> |
| Other income | 10 | 6 |
| Total investment income | <u>6,038</u> | <u>6,300</u> |
| EXPENSES | | |
| Base management fee | 426 | 360 |
| Loan servicing fee | 1,254 | 1,194 |
| Administration fee | 235 | 208 |
| Interest expense | 1,102 | 1,414 |
| Amortization of deferred finance costs | 139 | 210 |
| Professional fees | 131 | 156 |
| Stockholder related costs | 100 | 38 |
| Insurance expense | 53 | 63 |
| Directors fees | 47 | 55 |
| Taxes and licenses | 43 | 42 |
| General and administrative expenses | 31 | 56 |
| Expenses before credit from Adviser | <u>3,561</u> | <u>3,796</u> |
| Credits to base management fee | (574) | (384) |
| Total expenses net of credit to base management fee | <u>2,987</u> | <u>3,412</u> |
| NET INVESTMENT INCOME | <u>3,051</u> | <u>2,888</u> |
| REALIZED AND UNREALIZED (LOSS) GAIN ON INVESTMENTS | | |
| Realized loss on sale of Non-Control/Non-Affiliate investments | (1,718) | (48) |
| Net unrealized appreciation (depreciation) of Non-Control/Non-Affiliate investments | 4,465 | (529) |
| Net unrealized (depreciation) appreciation of Control investments | (4,867) | 5,274 |
| Net unrealized (depreciation) appreciation of Affiliate investments | (5,415) | 685 |
| Net (loss) gain on investments | <u>(7,535)</u> | <u>5,382</u> |
| NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$ (4,484)</u> | <u>\$ 8,270</u> |
| NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE: | | |
| Basic and Diluted | <u>\$ (0.22)</u> | <u>\$ 0.50</u> |
| SHARES OF COMMON STOCK OUTSTANDING: | | |
| Basic and diluted weighted average shares | 19,943,346 | 16,560,100 |

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

| | June 30, | March 31, |
|---|-------------------------|--------------------------|
| | 2008 | 2008 |
| ASSETS | | |
| Non-Control/Non-Affiliate investments (Cost 6/30/08: \$149,976; Cost 3/31/08:166,416) | \$130,764 | \$ 142,741 |
| Control investments (Cost 6/30/08: \$138,855; Cost 3/31/08: \$138,354) | 141,042 | 145,407 |
| Affiliate investments (Cost 6/30/08: \$52,486; Cost 3/31/08: \$46,035) | 48,493 | 47,456 |
| Total investments at fair value (Cost 6/30/08: \$341,317; Cost 3/31/08: \$350,805) | 320,299 | 335,604 |
| Cash and cash equivalents | 42,580 | 9,360 |
| Interest receivable | 1,340 | 1,662 |
| Prepaid insurance | 37 | 91 |
| Deferred finance costs | 185 | 324 |
| Due from Custodian | 2,895 | 4,398 |
| Due from Adviser | - | 89 |
| Other assets | 565 | 765 |
| TOTAL ASSETS | <u>\$367,901</u> | <u>\$ 352,293</u> |
| LIABILITIES | | |
| Fee due to Administrator | \$ 235 | \$ 208 |
| Fee due to Adviser | 139 | - |
| Borrowings under line of credit | 129,285 | 144,835 |
| Accrued expenses | 385 | 716 |
| Other liabilities | 101 | 89 |
| TOTAL LIABILITIES | <u>130,145</u> | <u>145,848</u> |
| NET ASSETS | <u>\$237,756</u> | <u>\$ 206,445</u> |
| ANALYSIS OF NET ASSETS: | | |
| Common stock, \$0.001 par value, 100,000,000 shares authorized, 22,080,133 and 16,560,100 shares issued and outstanding at June 30, 2008 and March 31, 2008, respectively | \$ 22 | \$ 17 |
| Capital in excess of par value | 264,819 | 224,173 |
| Net unrealized depreciation of investment portfolio | (21,018) | (15,201) |
| Net unrealized depreciation of derivative | (53) | (53) |
| Accumulated net investment loss | (6,014) | (2,491) |
| TOTAL NET ASSETS | <u>\$237,756</u> | <u>\$ 206,445</u> |
| NET ASSETS PER SHARE | <u>\$ 10.77</u> | <u>\$ 12.47</u> |

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | Three Months Ended June 30, | |
|--|-----------------------------|------------|
| | 2008 | 2007 |
| <u>Per Share Data</u> ⁽¹⁾ | | |
| Balance at beginning of period | \$ 12.47 | \$ 13.46 |
| <i>Income from investment operations:</i> | | |
| Net investment income ⁽²⁾ | 0.15 | 0.17 |
| Realized loss on sale of investments ⁽²⁾ | (0.08) | - |
| Net unrealized (depreciation) appreciation of investments ⁽²⁾ | (0.29) | 0.33 |
| Total from investment operations | (0.22) | 0.50 |
| <i>Distributions from:</i> | | |
| Net investment income | (0.24) | (0.23) |
| Total distributions ⁽³⁾ | (0.24) | (0.23) |
| Shelf registration offering costs | (0.03) | - |
| Effect on distribution of stock rights offering after record date ⁽⁴⁾ | (1.21) | - |
| Net asset value at end of period | \$ 10.77 | \$ 13.73 |
| Per share market value at beginning of period | \$ 9.41 | \$ 14.87 |
| Per share market value at end of period | \$ 6.43 | \$ 14.21 |
| Total Return ⁽⁵⁾ | -29.57% | -2.93% |
| Shares outstanding at end of period | 22,080,133 | 16,560,100 |
| <u>Statement of Assets and Liabilities Data:</u> | | |
| Net assets at end of period | \$ 237,756 | \$ 227,334 |
| Average net assets ⁽⁶⁾ | \$ 242,655 | \$ 222,928 |
| <u>Senior Securities Data:</u> | | |
| Borrowings under line of credit | \$ 129,285 | \$ 134,400 |
| Asset coverage ratio ⁽⁷⁾ | 284% | 270% |
| Asset coverage per unit ⁽⁸⁾ | \$ 3,670 | \$ 3,617 |
| <u>Ratios/Supplemental Data:</u> | | |
| Ratio of expenses to average net assets ⁽⁹⁾ ⁽¹⁰⁾ | 5.87% | 6.81% |
| Ratio of net expenses to average net assets ⁽⁹⁾ ⁽¹¹⁾ | 4.93% | 6.12% |
| Ratio of net investment income to average net assets ⁽⁹⁾ | 5.03% | 5.18% |

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

(2) Based on weighted average basic per share data.

(3) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.

(4) The effect of distributions from the stock rights offering after the record date represents the effect on net asset value of issuing additional shares after the record date of a distribution.

(5) Total return equals the change in the market value of the Company's common stock from the beginning of the period taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan.

(6) Calculated using the average of the ending monthly net assets for the respective periods.

(7) As a business development company, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings.

(8) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$100 of indebtedness.

(9) Amounts are annualized.

(10) Ratio of expenses to average net assets is computed using expenses before credit from the Adviser.

(11) Ratio of net expenses to average net assets is computed using total expenses net of credits to the management fee.

CONTACT:

Gladstone Investment Corporation
Kerry Finnegan, 703-287-5893