GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
February 06, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from __________ to __________

Commission file number: 814-00704

GLADSTONE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**83-0423116**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1521 WESTBRANCH DRIVE, SUITE 100	
MCLEAN, VIRGINIA	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 287-5800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the issuer s Common Stock, $0.001 par value per share, outstanding as of February 5, 2018, was 32,526,223.

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	December 31, 2017	March 31, 2017
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of **$205,771** and $225,046, respectively)	**$ 227,631**	$ 223,451
Affiliate investments (Cost of **$343,450** and $278,811, respectively)	**327,887**	262,086
Control investments (Cost of **$21,512** and $21,312 respectively)	**10,861**	16,042
Cash and cash equivalents	**2,733**	2,868
Restricted cash and cash equivalents	**428**	1,231
Interest receivable	**2,902**	2,305
Due from custodian	**5,937**	2,238
Deferred financing costs, net	**1,148**	1,588
Other assets, net	**1,088**	3,386
TOTAL ASSETS	**$ 580,615**	$ 515,195
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of **$96,600** and $69,700, respectively)	**$ 96,858**	$ 69,700
Secured borrowing	**5,096**	5,096
Total borrowings	**101,954**	74,796
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference;		
6,356,000 shares authorized; **5,566,000** shares issued and outstanding, net	**135,420**	134,835
Accounts payable and accrued expenses	**1,233**	578
Fees due to Adviser[(A)]	**3,391**	1,671
Fee due to Administrator[(A)]	**261**	296
Other liabilities	**959**	1,937
TOTAL LIABILITIES	**$ 243,218**	$ 214,113
Commitments and contingencies[(B)]		
NET ASSETS	**$ 337,397**	$ 301,082

ANALYSIS OF NET ASSETS

Common stock, $0.001 par value per share, **100,000,000** shares authorized, **32,526,223** and 30,270,958 shares issued and outstanding, respectively	**$**	**33**	$	30
Capital in excess of par value		**329,548**		310,332
Cumulative net unrealized depreciation of investments		**(4,354)**		(23,590)
Cumulative net unrealized appreciation of other		**(258)**		
Net investment income in excess of distributions		**6,570**		7,283
Accumulated net realized gain		**5,858**		7,027
TOTAL NET ASSETS	**$**	**337,397**	$	301,082
NET ASSET VALUE PER SHARE AT END OF PERIOD	**$**	**10.37**	$	9.95

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* 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)

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	**2016**	**2017**	**2016**
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 4,593**	$ 4,334	**$ 13,646**	$ 13,196
Affiliate investments	**8,780**	7,169	**21,260**	21,251
Control investments	**211**	204	**627**	617
Cash and cash equivalents	**4**		**14**	1
Total interest income	**13,588**	11,707	**35,547**	35,065
Dividend income				
Non-Control/Non-Affiliate investments	**152**	4	**1,922**	20
Affiliate investments		440	**865**	3,190
Total dividend income	**152**	444	**2,787**	3,210
Success fee income				
Non-Control/Non-Affiliate investments	**706**	309	**2,864**	309
Affiliate investments	**1,738**	914	**1,738**	914
Total success fee income	**2,444**	1,223	**4,602**	1,223
Other income				13
Total investment income	**16,184**	13,374	**42,936**	39,511
EXPENSES				
Base management fee(A)	**2,769**	2,441	**7,839**	7,439
Loan servicing fee(A)	**1,567**	1,678	**4,616**	5,081
Incentive fee(A)	**2,822**	1,178	**5,289**	3,427
Administration fee(A)	**261**	251	**769**	825
Interest expense on borrowings	**1,035**	825	**2,518**	2,749
Dividends on mandatorily redeemable preferred stock	**2,251**	2,251	**6,753**	6,431
Amortization of deferred financing costs and discounts	**366**	546	**1,100**	1,508
Professional fees	**231**	142	**810**	528
Other general and administrative expenses	**(16)**	1,071	**1,682**	1,962
Expenses before credits from Adviser	**11,286**	10,383	**31,376**	29,950

Credits to base management fee loan servicing fee[(A)]	**(1,567)**	(1,678)	**(4,616)**	(5,081)
Credits to fees from Adviser - other[(A)]	**(1,066)**	(535)	**(2,540)**	(2,486)
Total expenses, net of credits to fees	**8,653**	8,170	**24,220**	22,383
NET INVESTMENT INCOME	**7,531**	5,204	**18,716**	17,128
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	**25**	1,251	**1,003**	1,086
Affiliate investments		(4,391)	**144**	14,401
Control investments				(3)
Other		3		(254)
Total net realized gain (loss)	**25**	(3,137)	**1,147**	15,230
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	**7,330**	6,905	**23,454**	5,986
Affiliate investments	**3,773**	1,702	**1,163**	(12,270)
Control investments	**(1,257)**	281	**(5,381)**	9,238
Other	**(258)**		**(258)**	75
Total net unrealized appreciation	**9,588**	8,888	**18,978**	3,029
Net realized and unrealized gain	**9,613**	5,751	**20,125**	18,259
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 17,144**	$ 10,955	**$ 38,841**	$ 35,387

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

BASIC AND DILUTED PER COMMON SHARE:								
Net investment income	**$**	**0.23**	$	0.17	**$**	**0.58**	$	0.57
Net increase in net assets resulting from operations		**0.53**		0.36		**1.21**		1.17
Distributions		**0.26**		0.19		**0.70**		0.56
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:								
Basic and diluted		**32,526,223**		30,270,958		**32,178,127**		30,270,958

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* 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)

(UNAUDITED)

	Nine Months Ended December 31,	
	2017	**2016**
OPERATIONS		
Net investment income	**$ 18,716**	$ 17,128
Net realized gain on investments	**1,147**	15,484
Net realized loss on other		(254)
Net unrealized appreciation of investments	**19,236**	2,954
Net unrealized appreciation of other	**(258)**	75
Net increase in net assets from operations	**38,841**	35,387
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(20,826)**	(17,027)
Distributions to common stockholders from realized gains	**(1,756)**	
Net decrease in net assets from distributions	**(22,582)**	(17,027)
CAPITAL ACTIVITY		
Issuance of common stock	**21,154**	
Discounts, commissions, and offering costs for issuance of common stock	**(1,098)**	
Net increase in net assets from capital activity	**20,056**	
TOTAL INCREASE IN NET ASSETS	**36,315**	18,360
NET ASSETS, BEGINNING OF PERIOD	**301,082**	279,022
NET ASSETS, END OF PERIOD	**$ 337,397**	$ 297,382

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)

(UNAUDITED)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 38,841**	$ 35,387
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	**(71,188)**	(31,186)
Principal repayments of investments	**19,610**	26,886
Net proceeds from the sale of investments	**7,007**	36,788
Net realized gain on investments	**(1,239)**	(15,028)
Net realized loss on other		239
Net unrealized appreciation of investments	**(19,236)**	(2,954)
Net unrealized appreciation of other	**258**	(75)
Amortization of premiums, discounts, and acquisition costs, net	**(11)**	
Amortization of deferred financing costs and discounts	**1,100**	1,508
Bad debt expense, net of recoveries	**302**	460
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	**803**	449
(Increase) decrease in interest receivable	**(1,051)**	44
Increase in due from custodian	**(3,699)**	(520)
Decrease in other assets, net	**2,606**	2,230
Increase (decrease) in accounts payable and accrued expenses	**655**	(65)
Increase (decrease) in fees due to Adviser[(A)]	**1,720**	(51)
Decrease in fee due to Administrator[(A)]	**(35)**	(60)
Decrease in other liabilities	**(885)**	(124)
Net cash (used in) provided by operating activities	**(24,442)**	53,928
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	**21,154**	
Discounts, commissions, and offering costs for issuance of common stock	**(1,090)**	
Proceeds from line of credit	**96,300**	45,200
Repayments on line of credit	**(69,400)**	(96,500)
Proceeds from issuance of mandatorily redeemable preferred stock		57,500
Redemption of mandatorily redeemable preferred stock		(40,000)
Deferred financing and offering costs	**(75)**	(3,589)
Distributions paid to common stockholders	**(22,582)**	(17,027)

Net cash provided by (used in) financing activities	**24,307**	(54,416)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(135)**	(488)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**2,868**	4,481
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,733**	$ 3,993
CASH PAID FOR INTEREST	**$ 1,928**	$ 2,433
NON-CASH ACTIVITIES(B)	**$ 42,977**	$ 8,796

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(B) 2017: Significant non-cash operating activities consisted principally of the following transactions:
In November 2017, one of our portfolio companies, GI Plastek, Inc. (GI Plastek) merged with another one of our portfolio companies, Precision Southeast, Inc. (Precision), into a new company, PSI Molded Plastics, Inc. (PSI Molded). As a result of this transaction, our debt investments in GI Plastek and Precision, which totaled $15.0 million and $9.6 million, respectively, at principal and cost, were assumed by PSI Molded and combined into a new secured second lien term loan totaling $24.6 million. Our preferred equity investment in GI Plastek, with a cost basis of $5.2 million, and our preferred and common equity investments in Precision, with a combined cost basis of $3.8 million, were converted into a preferred equity investment in PSI Molded with the same cost basis.

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In June 2017, one of our portfolio companies, Mathey Investments, Inc. (Mathey) merged with and into another one of our portfolio companies, SBS Industries, LLC (SBS). As a result of this transaction, our debt investments in Mathey, which totaled $8.6 million at principal and cost, were assumed by SBS and combined with our existing debt investment in SBS, which totaled $11.4 million at principal and cost, into a new secured first lien term loan totaling $20.0 million. Our common equity investment in Mathey, with a cost basis of $0.8 million, was converted into a preferred equity investment in SBS with the same cost basis.

2016: Significant non-cash operating activities consisted principally of the following transaction:

In October 2016, we restructured our investment in D.P.M.S., Inc. (Danco), which resulted in the exchange of our existing debt investments with a total cost basis and fair value of $16.5 million and $6.4 million, respectively, for a new $8.8 million secured first lien term loan. We also relinquished our preferred equity investment and a portion of our common equity investment, which had an aggregate cost basis and fair value of $2.5 million and $0 million, respectively. The transaction resulted in a net realized loss of $10.2 million, which was recorded in our *Consolidated Statements of Operations* during the three months ended December 31, 2016.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(N) 67.5%			
Secured First Lien Debt 33.3%			
Chemicals, Plastics, and Rubber 2.9%			
Drew Foam Companies, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2018)(Q)	$ 9,913	**$ 9,913**	**$ 9,913**
Containers, Packaging, and Glass 2.8%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 12/2019)(L)	9,500	**9,500**	**9,500**
Diversified/Conglomerate Services 10.9%			
Counsel Press, Inc. Line of Credit, $500 available (L+11.8%, 13.3% Cash (1.0% Unused Fee), Due 3/2018)(L)			
Counsel Press, Inc. Term Debt (L+11.8%, 13.3% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 14.6% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 13.1% Cash, Due 12/2020)(L)	13,290	13,290	13,290
		36,790	**36,790**
Farming and Agriculture 4.7%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 4/2018)(L)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 5/2018)(L)	5,000	5,000	5,000
		16,000	**16,000**
Leisure, Amusement, Motion Pictures, and Entertainment 3.9%			
Schylling, Inc. Term Debt (L+11.0%, 13.0%, Due 8/2018)(L)	13,081	**13,081**	**13,081**

Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.9%				
SBS Industries, LLC Line of Credit, $1,500 available (L+8.5%, 10.1% Cash (1.0% Unused Fee), Due 6/2018)(L)				
SBS Industries, LLC Term Debt (L+12.0%, 14.0% Cash, Due 6/2020)(L)		19,957	19,957	19,957
			19,957	**19,957**
Oil and Gas 1.0%				
Tread Corporation Line of Credit, $634 available (L+10.0%, 12.5% Cash, Due 3/2021)(G)(L)		3,216	**3,216**	**3,216**
Personal, Food, and Miscellaneous Services 1.2%				
B-Dry, LLC Line of Credit, $100 available (L+0.3%, 1.8% Cash (0.8% Unused Fee), Due 12/2018)(L)		4,550	4,550	3,908
B-Dry, LLC Term Debt (L+0.3%, 1.8% Cash, Due 12/2019)(L)		6,443	6,443	
B-Dry, LLC Term Debt (L+0.3%, 1.8% Cash, Due 12/2019)(L)		840	840	
			11,833	**3,908**
Total Secured First Lien Debt			**$ 120,290**	**$ 112,365**
Secured Second Lien Debt 9.0%				
Automobile 1.2%				
Country Club Enterprises, LLC Term Debt (L+11.0%, 18.7% Cash, Due 5/2018)(L)	$	4,000	**$ 4,000**	**$ 4,000**
Cargo Transport 3.9%				
Diligent Delivery Systems Term Debt (L+8.0%, 10.0% Cash, Due 11/2022)(Q)		13,000	**12,911**	**13,000**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.9%				
Ginsey Home Solutions, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2021)(H)(L)		13,300	**13,300**	**13,300**
Total Secured Second Lien Debt			**$ 30,211**	**$ 30,300**
Preferred Equity 16.8%				
Automobile 0.6%				
Country Club Enterprises, LLC Preferred Stock(C)(L)		7,304,792	$ 7,725	$ 2,122
Country Club Enterprises, LLC Guaranty ($2,000)(J)				
			7,725	**2,122**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Chemicals, Plastics, and Rubber 1.0%			
Drew Foam Companies, Inc. Preferred Stock(C)(Q)	34,045	$ **3,375**	$ **3,375**
Containers, Packaging, and Glass 0.4%			
Frontier Packaging, Inc. Preferred Stock(C)(L)	1,373	**1,373**	**1,400**
Diversified/Conglomerate Services 9.0%			
Counsel Press, Inc. Preferred Stock(C)(L)	6,995	6,995	5,916
Nth Degree, Inc. Preferred Stock(C)(L)	5,660	5,660	24,431
		12,655	**30,347**
Farming and Agriculture 1.1%			
Jackrabbit, Inc. Preferred Stock(C)(L)	3,556	3,556	1,581
Star Seed, Inc. Preferred Stock(C)(L)	1,499	1,499	2,000
		5,055	**3,581**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.6%			
Ginsey Home Solutions, Inc. Preferred Stock(C)(L)	19,280	**9,583**	**11,713**
Leisure, Amusement, Motion Pictures, and Entertainment 0.0%			
Schylling, Inc. Preferred Stock(C)(L)	4,000	**4,000**	
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.5%			
SBS Industries, LLC Preferred Stock(C)(L)	27,705	**2,771**	**1,842**
Oil and Gas 0.6%			
Tread Corporation Preferred Stock(C)(L)	12,998,639	**3,768**	**2,175**
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock(C)(L)	2,500	**2,516**	
Total Preferred Equity		$ **52,821**	$ **56,555**

Common Equity 8.4%						
Cargo Transport 0.9%						
Diligent Delivery Systems	Common Stock Warrants[(C)(Q)]	8%	$	**500**	$	**2,832**
Chemicals, Plastics, and Rubber 4.4%						
Drew Foam Companies, Inc.	Common Stock[(C)(Q)]	5,372		**63**		**14,951**
Containers, Packaging, and Glass 3.0%						
Frontier Packaging, Inc.	Common Stock[(C)(L)]	152		**152**		**10,244**
Farming and Agriculture 0.0%						
Jackrabbit, Inc.	Common Stock[(C)(L)]	548		94		
Star Seed, Inc.	Common Stock[(C)(L)]	600		1		
				95		
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.0%						
Ginsey Home Solutions, Inc.	Common Stock[(C)(L)]	63,747		**8**		
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%						
SBS Industries, LLC	Common Stock[(C)(L)]	221,500		**222**		
Oil and Gas 0.0%						
Tread Corporation	Common Stock[(C)(L)]	10,089,048		**753**		
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%						
Funko Acquisition Holdings, LLC[(M)]	Common Units[(C)(U)]	67,873		**167**		**157**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)		Principal/Shares/ Units(F)(J)		Cost		Fair Value
Personal, Food, and Miscellaneous Services 0.0%						
B-Dry, LLC Common Stock(C)(L)		2,500	$	**300**	$	
Utilities 0.1%						
AquaVenture Holdings Limited Common Stock(C)(S)		14,889		**189**		**227**
Total Common Equity			$	**2,449**	$	**28,411**
Total Non-Control/Non-Affiliate Investments			$	**205,771**	$	**227,631**
AFFILIATE INVESTMENTS(O) 97.2%						
Secured First Lien Debt 52.1%						
Automobile 2.3%						
Meridian Rack & Pinion, Inc.(M) Term Debt (L+11.5%, 13.5% Cash, Due 12/2018)(K)	$	9,660	$	**9,660**	$	**7,728**
Beverage, Food, and Tobacco 2.7%						
Head Country, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)(L)		9,050		**9,050**		**9,050**
Diversified/Conglomerate Manufacturing 5.4%						
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)(I)(L)		8,795		8,795		7,172
Edge Adhesives Holdings, Inc.(M) Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)(K)		9,300		9,300		8,672
Edge Adhesives Holdings, Inc.(M) Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)(K)		2,400		2,400		2,250
				20,495		**18,094**
Diversified/Conglomerate Services 12.9%						

ImageWorks Display and Marketing Group, Inc. Line of Credit, $2,625 available (L+9.0%, 10.6% Cash, Due 5/2018)(T)	375	375	375
ImageWorks Display and Marketing Group, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 11/2022)(T)	22,000	22,000	22,000
JR Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.1% Cash, Due 2/2022)(L)	21,000	21,000	21,000
		43,375	**43,375**
Home and Office Furnishings, Housewares, and Durable Consumer Products 10.1%			
Brunswick Bowling Products, Inc. Term Debt (L+14.3%, 16.3% Cash, Due 5/2020)(L)	11,307	11,307	11,307
Brunswick Bowling Products, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 12/2022)(T)	6,917	6,917	6,917
Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)(L)	15,770	15,770	15,770
		33,994	**33,994**
Leisure, Amusement, Motion Pictures, and Entertainment 5.1%			
SOG Specialty Knives & Tools, LLC Term Debt (L+11.3%, 13.3% Cash, Due 8/2020)(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+12.8%, 14.8% Cash, Due 8/2020)(L)	12,200	12,200	10,611
SOG Specialty Knives & Tools, LLC Term Debt (Due 8/2020)(L)(R)	538	538	492
		18,938	**17,303**
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.8%			
Pioneer Square Brands, Inc. Line of Credit, $1,200 available (L+9.0%, 10.6% Cash (1.0% Unused Fee), Due 2/2018)(L)	1,800	1,800	1,800
Pioneer Square Brands, Inc. Term Debt (L+12.0%, 13.6% Cash, Due 8/2022)(L)	21,000	21,000	21,000
		22,800	**22,800**
Telecommunications 4.1%			
B+T Group Acquisition, Inc.(M) Term Debt (L+11.0%, 13.0% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**
Textiles and Leather 2.7%			
Logo Sportswear, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 3/2020)(L)	9,200	**9,200**	**9,200**
Total Secured First Lien Debt		**$ 181,512**	**$ 175,544**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Secured Second Lien Debt 18.5%			
Chemicals, Plastics, and Rubber 7.3%			
PSI Molded Plastics, Inc. Term Debt (L+12.0%, 13.6% Cash, Due 1/2024)(L)	$ 24,618	**$ 24,618**	**$ 24,618**
Diversified/Conglomerate Manufacturing 2.5%			
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)(G)(K)	12,215	12,215	7,818
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)(G)(K)	175	175	112
Alloy Die Casting Co.(M) Term Debt (Due 4/2021)(K)(R)	910	910	587
		13,300	**8,517**
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.7%			
Cambridge Sound Management, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 8/2021)(L)	16,000	**16,000**	**16,000**
Personal and Non-Durable Consumer Products (Manufacturing Only) 4.0%			
The Mountain Corporation Term Debt (L+12.5%, 14.1% Cash, Due 8/2021)(L)	18,600	18,600	13,428
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,000	1,000	
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,500	1,500	
		21,100	**13,428**
Total Secured Second Lien Debt		**$ 75,018**	**$ 62,563**
Preferred Equity 26.6%			
Automobile 0.1%			

Meridian Rack & Pinion, Inc.(M) Preferred Stock(C)(L)	3,381	$ **3,381**	$ **376**
Beverage, Food, and Tobacco 1.2%			
Head Country, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**3,910**
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock(C)(L)	3,600	**3,600**	
Chemicals, Plastics, and Rubber 2.0%			
PSI Molded Plastics, Inc. Preferred Stock(C)(L)	51,098	**8,980**	**6,714**
Diversified/Conglomerate Manufacturing 0.2%			
Alloy Die Casting Co.(M) Preferred Stock(C)(L)	5,114	5,114	
Channel Technologies Group, LLC Preferred Stock(C)(L)	2,279	1,841	
Edge Adhesives Holdings, Inc.(M) Preferred Stock(C)(L)	3,774	3,774	577
		10,729	**577**
Diversified/Conglomerate Services 5.5%			
ImageWorks Display and Marketing Group, Inc. Preferred Stock(C)(T)	67,490	6,750	6,750
JR Hobbs Co. Atlanta, LLC Preferred Stock(C)(L)	5,920	5,920	11,710
		12,670	**18,460**
Home and Office Furnishings, Housewares, and Durable Consumer Products 12.9%			
Brunswick Bowling Products, Inc. Preferred Stock(C)(L)	4,943	4,943	8,688
Cambridge Sound Management, Inc. Preferred Stock(C)(L)	4,500	4,500	23,977
Old World Christmas, Inc. Preferred Stock(C)(L)	6,180	6,180	10,963
		15,623	**43,628**
Leisure, Amusement, Motion Pictures, and Entertainment 0.0%			
SOG Specialty Knives & Tools, LLC Preferred Stock(C)(L)	9,749	**9,749**	
Personal and Non-Durable Consumer Products (Manufacturing Only) 1.8%			
The Mountain Corporation Preferred Stock(C)(L)	6,899	6,899	
Pioneer Square Brands, Inc. Preferred Stock(C)(L)	5,502	5,500	6,232
		12,399	**6,232**
Telecommunications 0.0%			
B+T Group Acquisition, Inc.(M) Preferred Stock(C)(L)	12,841	**4,196**	

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)		Cost		Fair Value
Textiles and Leather 2.9%					
Logo Sportswear, Inc. Preferred Stock(C)(L)	1,550	$	**1,550**	$	**9,883**
Total Preferred Equity		$	**86,877**	$	**89,780**
Common Equity 0.0%					
Cargo Transport 0.0%					
NDLI, Inc. Common Stock(C)(L)	545	$		$	
Diversified/Conglomerate Manufacturing 0.0%					
Alloy Die Casting Co.(M) Common Stock(C)(L)	630		41		
Channel Technologies Group, LLC Common Stock(C)(L)	2,319,184				
D.P.M.S., Inc. Common Stock(C)(L)	627		1		
			42		
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%					
The Mountain Corporation Common Stock(C)(L)	751		**1**		
Total Common Equity		$	**43**	$	
Total Affiliate Investments		$	**343,450**	$	**327,887**
CONTROL INVESTMENTS(P) 3.2%:					
Secured First Lien Debt 1.5%					
Aerospace and Defense 1.5%					
Galaxy Tool Holding Corporation Line of Credit, $0 available (L+4.5%, 6.5% Cash (1.0% Unused Fee), Due 8/2019)(L)	$ 5,000	$	**5,000**	$	**5,000**

Secured Second Lien Debt 1.5%				
Aerospace and Defense 1.5%				
Galaxy Tool Holding Corporation	Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)(L)	$ 5,000	$ **5,000**	$ **5,000**
Preferred Equity 0.2%				
Aerospace and Defense 0.2%				
Galaxy Tool Holding Corporation	Preferred Stock(C)(L)	5,517,444	$ **11,464**	$ **861**
Common Equity 0.0%				
Aerospace and Defense 0.0%				
Galaxy Tool Holding Corporation	Common Stock(C)(L)	88,843	$ **48**	$
Total Control Investments			$ **21,512**	$ **10,861**
TOTAL INVESTMENTS 167.9%			$ **570,733**	$ **566,379**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

[A] Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $484.6 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2017, our investments in AquaVenture Holdings Limited (AquaVenture) and Funko Acquisition Holdings, LLC (Funko) are considered non-qualifying assets under Section 55 of the 1940 Act and represent a combined 0.1% of total investments, at fair value.

[B] Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.6% as of December 31, 2017. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

[C] Security is non-income producing.

[D] Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of December 31, 2017.

[E] Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

[F] Where applicable, aggregates all shares of a 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 a 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 was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of December 31, 2017.

[I] Debt security has a fixed interest rate.

[J] Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.

[K] Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

[L] Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company s securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

[M]

One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.

(N) Non-Control/Non-Affiliate investments, as defined by 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.

(O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and 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.

(P) 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.

(Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.

(R) Debt security does not have a stated current interest rate.

(S) Our investment in AquaVenture was valued using Level 1 inputs within the ASC 820 fair value hierarchy. Fair value was based on the closing market price of our shares as of the reporting date. AquaVenture is traded on the New York Stock Exchange under the trading symbol WAAS. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended December 31, 2017 best represents fair value as of December 31, 2017.

(U) Our investment in Funko was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Our common units in Funko are convertible to class A common stock in Funko, Inc. upon the expiration of a lock-up agreement and meeting certain other requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Stock Market under the trading symbol FNKO. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(V) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(N) 74.2%			
Secured First Lien Debt 36.1%			
Chemicals, Plastics, and Rubber 3.3%			
Drew Foam Companies, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 8/2017)(L)	$ 9,913	**$ 9,913**	**$ 9,913**
Containers, Packaging, and Glass 3.2%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 12/2019)(L)	9,500	**9,500**	**9,500**
Diversified/Conglomerate Services 12.2%			
Counsel Press, Inc. Line of Credit, $500 available (L+11.8%, 12.8% Cash (1.0% Unused Fee), Due 3/2018)(L)			
Counsel Press, Inc. Term Debt (L+11.8%, 12.8% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 14.0% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 12.5% Cash, Due 12/2020)(L)	13,290	13,290	13,290
		36,790	**36,790**
Farming and Agriculture 5.2%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 4/2018)(L)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 5/2018)(K)	5,000	5,000	4,675
		16,000	**15,675**
Leisure, Amusement, Motion Pictures, and Entertainment 4.3%			
Schylling, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 8/2018)(L)	13,081	**13,081**	**13,081**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.7%			
	1,375	1,375	1,375

Mathey Investments, Inc. Term Debt (L+5.5%, 10.0% Cash, Due 3/2018)(L)			
Mathey Investments, Inc. Term Debt (L+7.5%, 12.0% Cash, Due 3/2018)(L)	3,727	3,727	3,727
Mathey Investments, Inc. Term Debt (12.5% Cash, Due 3/2018)(I)(L)	3,500	3,500	1,619
SBS Industries, LLC Term Debt (L+12.0%, 14.0% Cash, Due 8/2019)(L)	11,355	11,355	10,561
		19,957	**17,282**
Oil and Gas 0.7%			
Tread Corporation Line of Credit, $634 available (L+10.0%, 12.5% Cash, Due 2/2018)(G)(L)	3,216	**3,216**	**2,017**
Personal, Food, and Miscellaneous Services 1.5%			
B-Dry, LLC Line of Credit, $500 available (L+6.3%, 7.3% Cash (0.8% Unused Fee), Due 12/2018)(L)	4,150	4,150	4,150
B-Dry, LLC Term Debt (L+0.3%, 1.5% Cash, Due 12/2019)(L)	6,443	6,443	205
B-Dry, LLC Term Debt (L+0.3%, 1.5% Cash, Due 12/2019)(L)	840	840	
		11,433	**4,355**
Total Secured First Lien Debt		**$ 119,890**	**$ 108,613**
Secured Second Lien Debt 15.2%			
Automobile 1.3%			
Country Club Enterprises, LLC Term Debt (L+11.0%, 18.7% Cash, Due 5/2017)(L)	$ 4,000	**$ 4,000**	**$ 4,000**
Cargo Transport 4.4%			
Diligent Delivery Systems Term Debt (L+8.0%, 10.0% Cash, Due 8/2020)(K)	13,000	**13,000**	**13,292**
Chemicals, Plastics, and Rubber 5.1%			
Mitchell Rubber Products, Inc. Term Debt (13.0% Cash, Due 3/2018)(I)(Q)	13,560	**13,560**	**15,230**
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.4%			
Ginsey Home Solutions, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2021)(H)(L)	13,300	**13,300**	**13,300**
Total Secured Second Lien Debt		**$ 43,860**	**$ 45,822**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Preferred Equity 14.7%			
Automobile 1.7%			
Country Club Enterprises, LLC Preferred Stock(C)(L)	7,245,681	$ 7,725	$ 5,256
Country Club Enterprises, LLC Guaranty ($2,000)(Y)			
		7,725	**5,256**
Chemicals, Plastics, and Rubber 2.6%			
Drew Foam Companies, Inc. Preferred Stock(C)(L)	34,045	3,375	3,878
Mitchell Rubber Products, Inc. Preferred Stock(C)(Q)	27,900	2,790	3,903
		6,165	**7,781**
Containers, Packaging, and Glass 0.5%			
Frontier Packaging, Inc. Preferred Stock(C)(L)	1,373	**1,373**	**1,401**
Diversified/Conglomerate Services 6.2%			
Counsel Press, Inc. Preferred Stock(C)(L)	6,995	6,995	6,117
Nth Degree, Inc. Preferred Stock(C)(L)	5,660	5,660	12,471
		12,655	**18,588**
Farming and Agriculture 1.1%			
Jackrabbit, Inc. Preferred Stock(C)(L)	3,556	3,556	3,421
Star Seed, Inc. Preferred Stock(C)(L)	1,499	1,499	
		5,055	**3,421**
Home and Office Furnishings, Housewares, and Durable Consumer Products 2.4%			
Ginsey Home Solutions, Inc. Preferred Stock(C)(L)	19,280	**9,583**	**7,176**
Leisure, Amusement, Motion Pictures, and Entertainment 0.1%			
Schylling, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**262**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
SBS Industries, LLC Preferred Stock(C)(L)	19,935	**1,994**	

Oil and Gas 0.0%						
Tread Corporation Preferred Stock(C)(L)	12,998,639			**3,768**		
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%						
Funko Acquisition Holdings, LLC(M) Preferred Stock(C)(L)	260			**167**		**257**
Personal, Food, and Miscellaneous Services 0.0%						
B-Dry, LLC Preferred Stock(C)(L)	2,500			**2,516**		
Total Preferred Equity			**$**	**55,001**	**$**	**44,142**
Common Equity 8.2%						
Cargo Transport 0.9%						
Diligent Delivery Systems Common Stock Warrants(C)(L)		8%	**$**	**500**	**$**	**2,598**
Chemicals, Plastics, and Rubber 3.8%						
Drew Foam Companies, Inc. Common Stock(C)(L)	5,372			63		11,451
Mitchell Rubber Products, Inc. Common Stock(C)(Q)	27,900			28		28
				91		**11,479**
Containers, Packaging, and Glass 2.4%						
Frontier Packaging, Inc. Common Stock(C)(L)	152			**152**		**7,364**
Farming and Agriculture 0.0%						
Jackrabbit, Inc. Common Stock(C)(L)	548			94		
Star Seed, Inc. Common Stock(C)(L)	600			1		
				95		

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.0%			
Ginsey Home Solutions, Inc. Common Stock(C)(L)	63,747	$ **8**	$
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
Mathey Investments, Inc. Common Stock(C)(L)	29,102	777	
SBS Industries, LLC Common Stock(C)(L)	221,500	222	
		999	
Oil and Gas 0.0%			
Tread Corporation Common Stock(C)(L)	10,089,048	**753**	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
Funko Acquisition Holdings, LLC(M) Common Stock(C)(L)	975		
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Common Stock(C)(L)	2,500	**300**	
Utilities 1.1%			
AquaVenture Holdings Limited Common Stock(C)(S)(U)	201,586	**3,397**	**3,433**
Total Common Equity		$ **6,295**	$ **24,874**
Total Non-Control/Non-Affiliate Investments		$ **225,046**	$ **223,451**
AFFILIATE INVESTMENTS(O) 87.1%			
Secured First Lien Debt 51.4%			
Automobile 2.9%			
Meridian Rack & Pinion, Inc.(M) Term Debt (L+11.5%, 13.5% Cash, Due 12/2018)(K)	$ 9,660	$ **9,660**	$ **8,646**

Beverage, Food, and Tobacco 3.0%			
Head Country, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)(L)	9,050	**9,050**	**9,050**
Chemicals, Plastics, and Rubber 5.0%			
GI Plastek, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 7/2020)(L)	15,000	**15,000**	**15,000**
Diversified/Conglomerate Manufacturing 9.7%			
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 10/2018)(G)(K)	12,215	12,215	9,772
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 10/2018)(G)(K)	175	175	140
Alloy Die Casting Co.(M) Term Debt (Due 10/2018)(K)(R)	910	910	732
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)(I)(L)	8,796	8,796	7,175
Edge Adhesives Holdings, Inc.(M) Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)(K)	9,300	9,300	9,207
Edge Adhesives Holdings, Inc.(M) Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)(K)	2,400	2,400	2,388
		33,796	**29,414**
Diversified/Conglomerate Services 8.0%			
JR Hobbs Co. Atlanta, LLC Line of Credit, $1,050 available (L+8.5%, 10.0% Cash (1.0% Unused Fee), Due 2/2018)(T)	2,950	2,950	2,950
JR Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.0% Cash, Due 2/2022)(T)	21,000	21,000	21,000
		23,950	**23,950**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.0%			
Brunswick Bowling Products, Inc. Term Debt (L+14.3%, 16.3% Cash, Due 5/2020)(L)	11,307	11,307	11,307
Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)(L)	15,770	15,770	15,770
		27,077	**27,077**
Leisure, Amusement, Motion Pictures, and Entertainment 6.1%			
SOG Specialty Knives & Tools, LLC Term Debt (L+11.3%, 13.3% Cash, Due 10/2017)(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+12.8%, 14.8% Cash, Due 10/2017)(L)	12,200	12,200	12,200
		18,400	**18,400**
Telecommunications 4.6%			
B+T Group Acquisition, Inc.(M) Term Debt (L+11.0%, 13.0% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Textiles and Leather 3.1%			
Logo Sportswear, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 3/2020)(L)	9,200	$ **9,200**	$ **9,200**
Total Secured First Lien Debt		$ **160,133**	$ **154,737**
Secured Second Lien Debt 14.7%			
Diversified/Conglomerate Manufacturing 3.2%			
Precision Southeast, Inc. Term Debt (L+12.0%, 14.0% Cash, Due 9/2020)(L)	$ 9,618	$ **9,618**	$ **9,618**
Home and Office Furnishings, Housewares, and Durable Consumer Products 5.3%			
Cambridge Sound Management, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 8/2021)(L)	16,000	**16,000**	**16,000**
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.2%			
The Mountain Corporation Term Debt (L+12.5%, 13.5% Cash, Due 8/2021)(L)	18,600	**18,600**	**18,600**
Total Secured Second Lien Debt		$ **44,218**	$ **44,218**
Preferred Equity 21.0%			
Automobile 1.0%			
Meridian Rack & Pinion, Inc.(M) Preferred Stock(C)(L)	3,381	$ **3,381**	$ **2,890**
Beverage, Food, and Tobacco 1.9%			
Head Country, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**5,752**
Cargo Transport 0.0%			

NDLI, Inc. Preferred Stock(C)(L)	3,600	**3,600**	
Chemicals, Plastics, and Rubber 1.9%			
GI Plastek, Inc. Preferred Stock(C)(L)	5,150	**5,150**	**5,754**
Diversified/Conglomerate Manufacturing 0.4%			
Alloy Die Casting Co.(M) Preferred Stock(C)(L)	4,904	4,904	
Channel Technologies Group, LLC Preferred Stock(C)(L)	2,279	1,841	
Edge Adhesives Holdings, Inc.(M) Preferred Stock(C)(L)	3,774	3,774	1,271
Precision Southeast, Inc. Preferred Stock(C)(L)	37,391	3,739	
		14,258	**1,271**
Diversified/Conglomerate Services 2.0%			
JR Hobbs Co. Atlanta, LLC Preferred Stock(C)(T)	5,920	**5,920**	**5,920**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.8%			
Brunswick Bowling Products, Inc. Preferred Stock(C)(L)	4,943	4,943	11,329
Cambridge Sound Management, Inc. Preferred Stock(C)(L)	4,500	4,500	11,046
Old World Christmas, Inc. Preferred Stock(C)(L)	6,180	6,180	7,135
		15,623	**29,510**
Leisure, Amusement, Motion Pictures, and Entertainment 0.2%			
SOG Specialty Knives & Tools, LLC Preferred Stock(C)(L)	9,749	**9,749**	**711**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
The Mountain Corporation Preferred Stock(C)(L)	6,899	**6,899**	**153**
Telecommunications 0.0%			
B+T Group Acquisition, Inc.(M) Preferred Stock(C)(L)	12,841	**4,196**	
Textiles and Leather 3.7%			
Logo Sportswear, Inc. Preferred Stock(C)(L)	1,550	**1,550**	**11,170**
Total Preferred Equity		**$ 74,326**	**$ 63,131**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Common Equity 0.0%			
Cargo Transport 0.0%			
NDLI, Inc. Common Stock(C)(L)	545	$	$
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting Co.(M) Common Stock(C)(L)	630	41	
Channel Technologies Group, LLC Common Stock(C)(L)	2,319,184		
D.P.M.S., Inc. Common Stock(C)(L)	627	1	
Precision Southeast, Inc. Common Stock(C)(L)	90,909	91	
		133	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
The Mountain Corporation Common Stock(C)(L)	751	**1**	
Total Common Equity		**$ 134**	**$**
Total Affiliate Investments		**$ 278,811**	**$ 262,086**
CONTROL INVESTMENTS(P) 5.3%:			
Secured First Lien Debt 1.6%			
Aerospace and Defense 1.6%			
Galaxy Tool Holding Corporation Line of Credit, $200 available (L+4.5%, 6.5% Cash (1.0% Unused Fee), Due 8/2019)(L)	$ 4,800	**$ 4,800**	**$ 4,800**
Secured Second Lien Debt 1.7%			
Aerospace and Defense 1.7%			
Galaxy Tool Holding Corporation Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)(L)	$ 5,000	**$ 5,000**	**$ 5,000**
Preferred Equity 2.0%			
Aerospace and Defense 2.0%			
Galaxy Tool Holding Corporation Preferred Stock(C)(L)	5,517,444	**$ 11,464**	**$ 6,242**

Common Equity 0.0%						
Aerospace and Defense 0.0%						
Galaxy Tool Holding Corporation	Common Stock[(C)(L)]	88,843	**$**	**48**	**$**	
Total Control Investments			**$**	**21,312**	**$**	**16,042**
TOTAL INVESTMENTS[(W)] 166.6%			**$**	**525,169**	**$**	**501,579**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $448.0 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2017, our investment in AquaVenture Holdings Limited (AquaVenture) is considered a non-qualifying asset under Section 55 of the 1940 Act and represents 0.7% of total investments, at fair value.

(B) Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate (LIBOR or L), which was 1.0% as of March 31, 2017. If applicable, paid-in-kind (PIK) interest rates are noted separately from the cash interest rate. Certain securities are subject to an interest rate floor. The cash interest rate is the greater of the floor or LIBOR plus a spread. Due dates represent the contractual maturity date.

(C) Security is non-income producing.

(D) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2017.

(E) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(F) Where applicable, aggregates all shares of a 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 a 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 was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017.

(I) Debt security has a fixed interest rate.

(J) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.

(K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company s securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.

(N) Non-Control/Non-Affiliate investments, as defined by 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.

(O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and 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.

(P) 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.

(Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.

(R) Debt security does not have a stated current interest rate.

(S) Fair value was based on the closing market price of our shares as of the reporting date less a discount for lack of marketability.

(T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended March 31, 2017 best represents fair value as of March 31, 2017.

(U) As of March 31, 2017, our investment in AquaVenture was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(V) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

(W) Cumulative gross unrealized depreciation for federal income tax purposes is $77.9 million; cumulative gross unrealized appreciation for federal income tax purposes is $58.3 million. Cumulative net unrealized depreciation is $19.5 million, based on a tax cost of $521.1 million.

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

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GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

(UNAUDITED)

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), and is applying the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946 *Financial Services-Investment Companies* (ASC 946). 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 take the form of two types of loans: secured first lien loans and secured second lien loans. 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 to: (i) 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 (ii) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses, generally in combination with the aforementioned debt securities, that we believe can grow over time to permit us to sell our equity investments for capital gains. We intend that our investment portfolio over time will consist of approximately 75.0% in debt investments and 25.0% in 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 (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission s (SEC) Regulation S-X) 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 an SEC registered investment adviser, pursuant to an investment advisory agreement and management agreement (the Advisory Agreement). Administrative services are provided by Gladstone Administration, LLC (the Administrator), an affiliate of ours and the Adviser, pursuant to an administration agreement (the Administration Agreement). Refer to Note 4 *Related Party Transactions* for more information regarding these arrangements.

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 under the Securities Exchange Act of 1934, as amended. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. In accordance with Article 6 of Regulation S-X, under the Securities Act of 1933, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. 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 and nine months ended December 31, 2017 are not necessarily indicative of results that ultimately may be achieved for the fiscal year ending March 31, 2018 or any future interim period. 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, 2017, as filed with the SEC on May 15, 2017.

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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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation in the Consolidated Financial Statements and the accompanying notes. Reclassifications did not impact net increase in net assets resulting from operations, total assets, total liabilities or total net assets, or Statement of Changes in Net Assets and Statement of Cash Flows classifications.

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the FASB ASC 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 generally measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized appreciation or depreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Board Responsibility

In accordance with the 1940 Act, our Board of Directors has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on our investment valuation policy (which has been approved by our Board of Directors) (the Policy). Such review occurs in three phases. First, prior to its quarterly meetings, the Board of Directors receives written valuation recommendations and supporting materials provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer (the Valuation Team). Second, the Valuation Committee of our Board of Directors (comprised entirely of independent directors) meets to review the valuation recommendations and supporting materials presented by the chief valuation officer. Third, after the Valuation Committee concludes its meeting, it and the chief valuation officer present the Valuation Committee s findings to the entire Board of Directors so that the full Board of Directors may review and approve the fair value of our investments in accordance with the Policy.

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 chief valuation officer, uses the Policy and each quarter the Valuation Committee and Board of Directors review the Policy to determine if changes thereto are advisable and also review 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.

Standard & Poor s Securities Evaluation, Inc. (SPSE), a valuation specialist, generally provides estimates of fair value on 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 estimate of value on a specific debt investment may significantly differ from SPSE s. When this occurs, our Valuation Committee and Board of Directors review whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended fair 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 fair value.

We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value (TEV) of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Valuation Committee and Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value and whether it is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

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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 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. The Valuation Team generally reviews industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team generally allocates the TEV to the portfolio company s securities based on the facts and circumstances of the securities, which typically results in the allocation of fair value to securities based on the 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 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 (where we do not have the ability to effectuate a sale of a portfolio company) using the yield analysis, which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, 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.

Market Quotes For our investments for which a limited market exists, we generally base fair value on readily available and reliable market quotations, which are corroborated by the Valuation Team (generally by using the yield analysis explained above). In addition, the Valuation Team assesses trading activity for similar investments and evaluates variances in quotations and other market insights to determine if any available quoted prices are reliable. Typically, the Valuation Team uses the lower indicative bid price (IBP) in the bid-to-ask price range obtained from the respective originating syndication agent s trading desk on or near the valuation date. The Valuation Team may take further steps to consider additional information to validate that price in accordance with the Policy. For securities that are publicly traded, we generally base fair value on the closing market price of our shares as of the reporting date. For restricted securities that are publicly traded, we generally base fair value on the closing market price of our shares as of the reporting date less a discount for the restriction, which includes consideration of the nature and term to expiration of the restriction.

Investments in Funds For equity investments in other funds, where we cannot effectuate a sale, the Valuation Team generally determines the fair value of our uninvested capital at par value and of our invested capital at the Net Asset Value (NAV) provided by the fund. The Valuation Team may also determine fair value of our investments in other investment funds based on the capital accounts of the underlying entity.

In addition to the valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value 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; timing of expected loan repayments; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the current reporting quarter are generally valued at our original cost basis, as near-measurement date transaction value is a reasonable indicator of fair value.

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Fair value measurements of our investments may involve subjective judgments and estimates and, due to the uncertainty inherent in valuing these securities, the determinations of fair value may fluctuate from period to period and may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities. 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.

Revenue Recognition

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 December 31, 2017, certain of our loans to Alloy Die Casting Co. (Alloy Die Casting) and Tread Corporation (Tread) were on non-accrual status, with an aggregate debt cost basis of $15.6 million, or 3.7% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $11.1 million, or 2.9% of the fair value of all debt investments in our portfolio. As of March 31, 2017, certain of our loans to Alloy Die Casting and Tread were on non-accrual status, with an aggregate debt cost basis of $15.6 million, or 4.1% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $11.9 million, or 3.3% of the fair value of all debt investments in our portfolio.

Paid-in-kind (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. As of December 31, 2017 and March 31, 2017, we did not have any loans with a PIK interest component. During the three and nine months ended December 31, 2017 and 2016, we did not record any PIK income, nor did we collect any PIK interest in cash.

Success Fee Income Recognition

We record success fees as income when earned, which often occurs upon receipt of cash. Success fees are generally contractually due upon a change of control in a portfolio company, typically resulting from an exit or sale.

Dividend Income Recognition

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.

Deferred Financing and Offering Costs

Deferred financing and offering costs consist of costs incurred to obtain financing, including lender fees and legal fees. Certain costs associated with our revolving line of credit are deferred and amortized using the straight-line method, which approximates the effective interest method, over the term of the revolving line of credit. Costs associated with the issuance of our mandatorily redeemable preferred stock are presented as discounts to the liquidation value of the mandatorily redeemable preferred stock and are amortized using the straight-line method, which approximates the effective interest method, over the terms of the respective financings. See Note 5 *Borrowings* and Note 6 *Mandatorily Redeemable Preferred Stock* for further discussion.

Related Party Fees

We are party to the Advisory Agreement with the Adviser, which is owned and 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. Additionally, we pay the Adviser a loan servicing fee as compensation for its services as servicer under the terms of the Fifth Amended and Restated Credit Agreement dated April 30, 2013, as amended (the Credit Facility).

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We are also party to the Administration Agreement with the Administrator, which is also owned and controlled by our chairman and chief executive officer, 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 fees and agreements.

Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update 2016-18, *Restricted Cash (a consensus of the Emerging Issues Task Force)* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We are currently assessing the impact of ASU 2016-18 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* (ASU 2016-15), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. We are currently assessing the impact of ASU 2016-15 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

In March 2016, the FASB issued Accounting Standards Update 2016-06, *Contingent Put and Call Options in Debt Instruments* (ASU 2016-06), which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related. The adoption of ASU 2016-06 did not have a material impact on our financial position, results of operations or cash flows. ASU 2016-06 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those fiscal years, and we adopted ASU 2016-06 effective April 1, 2017.

In January 2016, the FASB issued Accounting Standards Update 2016-01, *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which changes how entities measure certain equity investments and how entities present changes in the fair value of financial liabilities measured under the fair value option that are attributable to instrument-specific credit risk. We are currently assessing the impact of ASU 2016-01 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted for certain aspects of ASU 2016-01 relating to the recognition of changes in fair value of financial liabilities when the fair value option is elected.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The adoption of ASU 2015-02 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-02 effective April 1, 2016. In October 2016, the FASB issued Accounting Standards Update 2016-17, *Interests Held through Related Parties That Are under Common Control* (ASU 2016-17), which amends the consolidation guidance in ASU 2015-02 regarding the treatment of indirect interests held through related parties that are under common control. The adoption of ASU 2016-17 did not have a material impact on our financial position, results of operations or cash flows. ASU 2016-17 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those years, and we adopted ASU 2016-17 effective April 1, 2017.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which was amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), and in December 2016 by FASB Accounting Standards Update 2016-20, *Technical Corrections and Improvements to Topic 606* (ASU 2016-20). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09.

ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We continue to assess the impact of ASU 2014-09, as amended, and expect to identify similar performance obligations as compared to existing guidance. As a result, we do not anticipate a material change in the timing of revenue recognition or a material impact on our financial position, results of operations, or cash flows from adopting this standard.

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 willing 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 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 December 31, 2017, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investments in AquaVenture Holdings Limited, f/k/a Quench Holdings Corp., (AquaVenture) and Funko Acquisition Holdings, LLC. (Funko), which were valued using Level 1 inputs and Level 2 inputs, respectively. As of March 31, 2017, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in AquaVenture, which was valued using Level 2 inputs.

We transfer investments in and out of Level 1, 2 and 3 of the valuation hierarchy 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 three months ended December 31, 2017, we transferred our investment in Funko from Level 3 to Level 2 as a result of the initial public offering of Funko, Inc. in November 2017 due to the convertibility of our investment into shares of Funko, Inc. In April 2017, we transferred our investment in AquaVenture from Level 2 to Level 1 as a result of the expiration of the lock-up period from the initial public offering in October 2016. During the three and nine months ended December 31, 2016, we transferred our investment in AquaVenture from Level 3 to Level 2 as a result of its initial public offering in October 2016.

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As of December 31, 2017 and March 31, 2017, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2017:				
Secured first lien debt	$ 292,909	$	$	$ 292,909
Secured second lien debt	97,863			97,863
Preferred equity	147,196			147,196
Common equity/equivalents	28,411	227(A)	157(B)	28,027
Total Investments at December 31, 2017	**$ 566,379**	**$ 227**	**$ 157**	**$ 565,995**

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2017:				
Secured first lien debt	$ 268,150	$	$	$ 268,150
Secured second lien debt	95,040			95,040
Preferred equity	113,515			113,515
Common equity/equivalents	24,874		3,433(C)	21,441
Total Investments at March 31, 2017	$ 501,579	$	$ 3,433	$ 498,146

(A) Fair value was determined based on the closing market price of our shares of AquaVenture at the reporting date.

(B) Fair value was determined based on the closing market price of shares of Funko, Inc. (our units in Funko can be converted into shares of Funko, Inc.) at the reporting date less a discount for lack of marketability as our investment was subject to a 180-day lock-up period, which expires in May 2018, and other restrictions.

(C) Fair value was determined based on the closing market price of our shares of AquaVenture at the reporting date less a discount for lack of marketability as our investment was subject to a 180-day lock-up period, which expired in April 2017.

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The following table presents our portfolio investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy, and carried at fair value as of December 31, 2017 and March 31, 2017, by caption on our accompanying *Consolidated Statements of Assets and Liabilities,* and by security type:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Valued Using Level 3 Inputs	
	December 31, 2017	**March 31, 2017**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 112,365**	$ 108,613
Secured second lien debt	**30,300**	45,822
Preferred equity	**56,555**	44,142
Common equity/equivalents	**28,027** (A)	21,441 (B)
Total Non-Control/Non-Affiliate Investments	**227,247**	220,018
Affiliate Investments		
Secured first lien debt	**175,544**	154,737
Secured second lien debt	**62,563**	44,218
Preferred equity	**89,780**	63,131
Common equity/equivalents		
Total Affiliate Investments	**327,887**	262,086
Control Investments		
Secured first lien debt	**5,000**	4,800
Secured second lien debt	**5,000**	5,000
Preferred equity	**861**	6,242
Common equity/equivalents		
Total Control Investments	**10,861**	16,042
Total investments at fair value using Level 3 inputs	**$ 565,995**	$ 498,146

(A) Excludes our investments in AquaVenture and Funko, each with a fair value of $0.2 million as of December 31, 2017, which were valued using Level 1 inputs and Level 2 inputs, respectively.

(B) Excludes our investment in AquaVenture with a fair value of $3.4 million as of March 31, 2017, which was valued using Level 2 inputs.

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In accordance with ASC 820, the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of December 31, 2017 and March 31, 2017. The table below 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 December 31, 2017	**Fair Value as of March 31, 2017**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted Average as of December 31, 2017**	**Range / Weighte Average as of March 31, 201**
ecured first lien debt	**$ 274,259(A)**	$ 232,590(A)	TEV	EBITDA multiple	4.8x 8.0x / 6.0x	4.3x 7.9x / 6.
				EBITDA	$1,169 $14,024 / $5,129	$897 $10,887 $4,093
				Revenue multiple	0.3x 0.8x / 0.6x	
				Revenue	$15,633 $31,414 / $25,346	
	18,650	35,560	Yield Analysis	Discount Rate	19.1% 22.9% / 20.9%	13.1% 30.3% 19.7%
ecured second lien debt	**89,346(B)**	81,747(B)	TEV	EBITDA multiple	4.2x 6.5x / 6.2x	5.3x 7.4x / 6.
				EBITDA	$2,387 $8,539 / $7,003	$2,357 $5,82 $4,588
				Revenue multiple	0.9x 0.9x / 0.9x	
				Revenue	$23,326 $23,326 / $23,326	
	8,517	13,293	Yield Analysis	Discount Rate	22.4% 23.9% / 22.5%	9.2% 9.2% / 9.2%
referred equity(C)	**147,196**	113,515	TEV	EBITDA multiple	4.2x 8.0x / 6.0x	4.8x 7.9x / 6.
				EBITDA	$1,169 $14,024 / $5,227	$897 $97,366 $4,415
				Revenue multiple	0.3x 0.9x / 0.7x	0.5x 0.5x / 0.
				Revenue	$15,633 $31,414 / $25,095	$21,662 $21,66 $21,662
ommon equity/equivalents(D)	**28,027(E)**	21,441(F)	TEV	EBITDA multiple	4.8x 6.0x / 5.4x	4.3x 9.8x / 6.
				EBITDA	$1,169 $5,831 / $2,394	$897 $13,378 $3,687

					Revenue multiple	0.3x	0.9x / 0.3x	0.5x	0.5x / 0.:
					Revenue	$15,633	$23,326 / $16,186	$21,662	$21,6($21,662
otal	**$**	**565,995**	$	498,146					

(A) Fair value as of December 31, 2017 includes three new proprietary debt investments for a combined $29.3 million, which were valued at cost using the transaction price as the unobservable input, and one proprietary debt investment for $9.9 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes two new proprietary debt investments for a combined $24.0 million, which were valued at cost using the transaction price as the unobservable input.

(B) Fair value as of December 31, 2017 includes one proprietary debt investment for $13.0 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes one proprietary debt investment for $15.2 million, which was valued at the expected payoff amount as the unobservable input.

(C) Fair value as of December 31, 2017 includes one new proprietary equity investment for $6.8 million, which was valued at cost using the transaction price as the unobservable input, and one proprietary equity investment for $3.4 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes one new proprietary equity investment for $5.9 million, which was valued at cost using the transaction price as the unobservable input, and one proprietary equity investment for $3.9 million, which was valued at the expected payoff amount as the unobservable input.

(D) Fair value as of December 31, 2017 includes two proprietary equity investments for a combined $17.8 million, which were valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes one proprietary equity investment for $28, which was valued at the expected payoff amount as the unobservable input.

(E) Fair value as of December 31, 2017 excludes our investments in AquaVenture and Funko, each with a fair value of $0.2 million, which were valued using Level 1 inputs and Level 2 inputs, respectively.

(F) Fair value as of March 31, 2017 excludes our investment in AquaVenture with a fair value of $3.4 million, which was valued using Level 2 inputs.

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Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in discount rates, 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/(decrease) in discount rates or a (decrease)/increase in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a (decrease)/increase in the fair value of certain of our investments.

Changes in Level 3 Fair Value Measurements of Investments

The following tables provide our portfolio s changes in fair value, broken out by security type, during the three and nine months ended December 31, 2017 and 2016 for all investments for which the Adviser determines fair value using unobservable (Level 3) inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Secured First Lien Debt	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Three months ended December 31, 2017:					
Fair value as of September 30, 2017	**$ 288,526**	**$ 74,175**	**$ 125,895**	**$ 30,451**	**$ 519,047**
Total gain (loss):					
Net realized gain (loss)(A)			25		25
Net unrealized appreciation (depreciation)(B)	(1,592)	(1,133)	12,405	(2,424)	7,256
Reversal of previously recorded (appreciation) depreciation upon realization(B)			2,215	91	2,306
New investments, repayments and settlements(C):					
Issuances / originations	31,292	26,122	15,729		73,143
Settlements / repayments	(17,000)	(9,618)			(26,618)
Sales			(8,914)	(91)	(9,005)
Transfers(D)	(8,317)	8,317	(159)		(159)
Fair value as of December 31, 2017	**$ 292,909**	**$ 97,863**	**$ 147,196**	**$ 28,027**	**$ 565,995**

	Secured First Lien Debt	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Nine months ended December 31, 2017:					
Fair value as of March 31, 2017	**$ 268,150**	**$ 95,040**	**$ 113,515**	**$ 21,441**	**$ 498,146**
Total gain (loss):					
Net realized gain (loss)(A)			982		982
Net unrealized appreciation (depreciation)(B)	(4,085)	(7,674)	22,202	6,614	17,057
Reversal of previously recorded (appreciation) depreciation upon realization(B)	1,881	(1,670)	1,102	868	2,181

New investments, repayments and settlements[(C)]:					
Issuances / originations	64,832	27,128	22,216		114,176
Settlements / repayments	(29,552)	(23,278)			(52,830)
Sales			(12,662)	(896)	(13,558)
Transfers[(D)]	(8,317)	8,317	(159)		(159)
Fair value as of December 31, 2017	**$ 292,909**	**$ 97,863**	**$ 147,196**	**$ 28,027**	**$ 565,995**

	Secured First Lien Debt	**Secured Second Lien Debt**	**Preferred Equity**	**Common Equity/ Equivalents**	**Total**
Three months ended December 31, 2016:					
Fair value as of September 30, 2016	**$ 262,108**	**$ 90,496**	**$ 111,109**	**$ 22,259**	**$ 485,972**
Total gain (loss):					
Net realized gain (loss)[(A)]	(7,725)		3,345	(1)	(4,381)
Net unrealized appreciation (depreciation)[(B)]	(1,353)	4,361	(789)	1,878	4,097
Reversal of previously recorded appreciation upon realization[(B)]	9,253		(4,144)	1	5,110
New investments, repayments and settlements[(C)]:					
Issuances / originations	8,796				8,796
Settlements / repayments	(19,021)				(19,021)
Sales			(8,814)		(8,814)
Transfers[(D)]				(4,359)	(4,359)
Fair value as of December 31, 2016	**$ 252,058**	**$ 94,857**	**$ 100,707**	**$ 19,778**	**$ 467,400**

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	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Nine months ended December 31, 2016:					
Fair value as of March 31, 2016	**$ 280,037**	**$ 64,484**	**$ 113,550**	**$ 29,585**	**$ 487,656**
Total gain (loss):					
Net realized gain (loss)[A]	(7,725)		3,345	18,825	14,445
Net unrealized appreciation (depreciation)[B]	(6,307)	10,273	13,306	2,107	19,379
Reversal of previously recorded appreciation upon realization[B]	9,253		(18,525)	(6,834)	(16,106)
New investments, repayments and settlements[C]:					
Issuances / originations	12,982	19,600	6,899	501	39,982
Settlements / repayments	(21,182)	(14,500)			(35,682)
Sales			(17,868)	(20,047)	(37,915)
Transfers[D]	(15,000)	15,000		(4,359)	(4,359)
Fair value as of December 31, 2016	**$ 252,058**	**$ 94,857**	**$ 100,707**	**$ 19,778**	**$ 467,400**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the respective periods ended December 31, 2017 and 2016.

(B) Included in net unrealized appreciation (depreciation) of investments on our accompanying *Consolidated Statements of Operations* for the periods ended December 31, 2017 and 2016.

(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) 2017: Transfers represent $8.3 million of secured first lien debt of Alloy Die Casting, which was converted into secured second lien debt during the three months ended December 31, 2017 and $0.2 million of preferred equity of Funko, which was transferred from Level 3 to Level 2 during the three months ended December 31, 2017 as a result of the initial public offering of Funko, Inc. (our units in Funko can be converted into shares of Funko, Inc. after the expiration of the lock-up period in May 2018 and certain other restrictions are met).

2016: Transfers represent $15.0 million of secured first lien debt of Cambridge Sound Management, Inc. (Cambridge), which was converted into secured second lien debt during the three months ended September 30, 2016, and $4.4 million of common equity of AquaVenture, which was transferred from Level 3 to Level 2 during the three months ended December 31, 2016 as a result of its initial public offering.

Investment Activity

During the nine months ended December 31, 2017, the following significant transactions occurred:

In April 2017, we sold our investment in Mitchell Rubber Products, Inc. (Mitchell), which resulted in success fee income of $1.7 million and a realized gain of $1.0 million. In connection with the sale, we received net cash proceeds of $19.0 million, including the repayment of our debt investment of $13.6 million at par.

In May and June 2017, we sold a portion of our common stock investment in AquaVenture resulting in net cash proceeds of $2.0 million, which represented a return of capital. In December 2017, we sold another portion of our common stock investment in AquaVenture resulting in net cash proceeds of $1.2 million, which also represented a return of capital.

In June 2017, one of our portfolio companies, Mathey Investments, Inc. (Mathey) merged with and into another one of our portfolio companies, SBS Industries, LLC (SBS). As a result of this transaction, we received success fee income of $0.3 million from Mathey. Our debt investments in Mathey, which totaled $8.6 million at principal and cost, were assumed by SBS and combined with our existing debt investment in SBS, which totaled $11.4 million at principal and cost, into a new secured first lien term loan totaling $20.0 million. Our common equity investment in Mathey, with a cost basis of $0.8 million, was converted into a preferred equity investment in SBS with the same cost basis. In connection with the merger, we also extended a secured first lien revolving line of credit to SBS with a total facility amount of $1.5 million, which was undrawn at the time of the transaction.

In August 2017, we invested $28.3 million in Pioneer Square Brands, Inc. (Pioneer) through a combination of secured first lien debt and preferred equity. Pioneer, headquartered in Seattle, Washington, is a designer, manufacturer, and marketer of premium mobile technology bags and cases serving a diverse customer base, primarily in the education and corporate sectors.

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In November 2017, one of our portfolio companies, GI Plastek, Inc. (GI Plastek) merged with another one of our portfolio companies, Precision Southeast, Inc. (Precision), into a new company, PSI Molded Plastics, Inc. (PSI Molded). As a result of this transaction, our debt investments in GI Plastek and Precision, which totaled $15.0 million and $9.6 million, respectively, at principal and cost, were assumed by PSI Molded and combined into a new secured second lien term loan totaling $24.6 million. Our preferred equity investment in GI Plastek, with a cost basis of $5.2 million and our preferred and common equity investments in Precision, with a combined cost basis of $3.8 million, were converted into a preferred equity investment in PSI Molded with the same cost basis.

In November 2017, we invested $31.1 million in ImageWorks Display and Marketing Group, Inc. (ImageWorks) through a combination of secured first lien debt and preferred equity. ImageWorks, headquartered in Winston-Salem, North Carolina, is a market leading point-of-purchase display provider specializing in the design, engineering and production of custom semi-permanent and permanent displays across a variety of brands and consumer product end markets.

In December 2017, we invested $6.9 million in an existing portfolio company, Brunswick Bowling Products, Inc., through a secured first lien debt investment.

Investment Concentrations

As of December 31, 2017, our investment portfolio consisted of investments in 34 portfolio companies located in 17 states across 18 different industries with an aggregate fair value of $566.4 million. Our investments in Cambridge, Nth Degree, Inc. (Nth Degree), JR Hobbs Co. Atlanta, LLC, PSI Molded, and Counsel Press, Inc. represented our five largest portfolio investments at fair value as of December 31, 2017, and collectively comprised $171.2 million, or 30.3%, of our total investment portfolio at fair value.

The following table summarizes our investments by security type as of December 31, 2017 and March 31, 2017:

	December 31 2017				**March 31, 2017**			
	Cost		**Fair Value**		**Cost**		**Fair Value**	
Secured first lien debt	**$ 306,802**	**53.8%**	**$ 292,909**	**51.7%**	$ 284,823	54.3%	$ 268,150	53.5%
Secured second lien debt	**110,229**	**19.3**	**97,863**	**17.3**	93,078	17.7	95,040	18.9
Total debt	**417,031**	**73.1**	**390,772**	**69.0**	377,901	72.0	363,190	72.4
Preferred equity	**151,162**	**26.5**	**147,196**	**26.0**	140,791	26.8	113,515	22.6
Common equity/equivalents	**2,540**	**0.4**	**28,411**	**5.0**	6,477	1.2	24,874	5.0
Total equity/equivalents	**153,702**	**26.9**	**175,607**	**31.0**	147,268	28.0	138,389	27.6
Total investments	**$ 570,733**	**100.0%**	**$ 566,379**	**100.0%**	$ 525,169	100.0%	$ 501,579	100.0%

Investments at fair value consisted of the following industry classifications as of December 31, 2017 and March 31, 2017:

	December 31, 2017		March 31, 2017	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Services	**$ 128,972**	**22.8%**	$ 85,248	17.0%
Home and Office Furnishings, Housewares, and Durable Consumer Products	**118,635**	**20.9**	93,062	18.6
Chemicals, Plastics, and Rubber	**59,571**	**10.5**	65,156	13.0
Personal and Non-Durable Consumer Products (Manufacturing Only)	**42,617**	**7.5**	19,011	3.8
Leisure, Amusement, Motion Pictures, Entertainment	**30,384**	**5.4**	32,453	6.5
Diversified/Conglomerate Manufacturing	**27,188**	**4.8**	40,303	8.0
Machinery (Non-agriculture, Non-construction, Non-electronic)	**21,799**	**3.8**	17,283	3.4
Containers, Packaging, and Glass	**21,144**	**3.7**	18,266	3.6
Farming and Agriculture	**19,581**	**3.5**	19,096	3.8
Textiles and Leather	**19,083**	**3.4**	20,369	4.1
Cargo Transport	**15,832**	**2.8**	15,891	3.2
Automobile	**14,226**	**2.5**	20,792	4.1
Telecommunications	**14,000**	**2.5**	14,000	2.8
Beverage, Food, and Tobacco	**12,960**	**2.3**	14,802	3.0
Aerospace and Defense	**10,861**	**1.9**	16,042	3.2
Other < 2.0%	**9,526**	**1.7**	9,805	1.9
Total investments	**$ 566,379**	**100.0%**	$ 501,579	100.0%

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Investments at fair value were included in the following geographic regions of the U.S. as of December 31, 2017 and March 31, 2017:

	December 31, 2017		March 31, 2017	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
South	**$ 213,409**	**37.7%**	$ 175,136	34.9%
Northeast	**177,453**	**31.3**	159,614	31.8
West	**130,743**	**23.1**	123,475	24.6
Midwest	**44,774**	**7.9**	43,354	8.7
Total investments	**$ 566,379**	**100.0%**	$ 501,579	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 December 31, 2017:

		Amount[(A)]
For the remaining three months ending March 31:	2018	$ 11,713
For the fiscal years ending March 31:	2019	68,416
	2020	89,253
	2021	80,007
	2022	80,196
	Thereafter	87,535
	Total contractual repayments	**$ 417,120**
	Adjustments to cost basis of debt investments	(89)
	Investments in equity securities	153,702
	Total cost basis of investments held as of December 31, 2017:	**$ 570,733**

(A) Subsequent to December 31, 2017, three debt investments with principal balances of $9.9 million, $9.7 million, and $11.3 million, respectively, which were previously scheduled to mature during the fiscal years ending March 31, 2018, March 31, 2019, and March 31, 2021, respectively, were extended to mature during the fiscal years ending March 31, 2019, March 31, 2020, and March 31, 2023, respectively.

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs that we incurred on behalf of portfolio companies. Such receivables, net of any allowance for uncollectible receivables, are included in Other assets, net on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management s judgment, that the portfolio company is unable to pay its obligations. We write-off accounts receivable when we have exhausted collection efforts and have deemed the receivables uncollectible. As of December 31, 2017 and March 31, 2017, we had gross receivables from portfolio companies of $0.9 million and $1.2 million, respectively. The allowance for uncollectible receivables was $0.2 million and $0.3 million as of December 31, 2017 and March 31, 2017, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

Transactions with the Adviser

We pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee, as provided for in the Advisory Agreement, and a loan servicing fee for the Adviser s role as servicer pursuant to the Credit Facility, each as described below. On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of either party, approved the annual renewal of the Advisory Agreement through August 31, 2018.

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the Adviser, which is 100% indirectly owned and controlled by Mr. Gladstone. David Dullum (our president) is also an executive managing director of the Adviser.

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The following table summarizes the base management fees, loan servicing fees, incentive fees, and associated non-contractual, unconditional, and irrevocable credits reflected in our accompanying *Consolidated Statements of Operations*:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2017	**2016**	**2017**	**2016**
Average total assets subject to base management fee[(A)]	**$ 553,800**	$ 488,200	**$ 522,600**	$ 495,900
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%	**1.5%**	1.5%
Base management fee[(B)]	**2,769**	2,441	**7,839**	7,439
Credits to fees from Adviser - other[(B)]	**(1,066)**	(535)	**(2,540)**	(2,486)
Net base management fee	**$ 1,703**	$ 1,906	**$ 5,299**	$ 4,953
Loan servicing fee[(B)]	**1,567**	1,678	**4,616**	5,081
Credits to base management fee - loan servicing fee[(B)]	**(1,567)**	(1,678)	**(4,616)**	(5,081)
Net loan servicing fee	**$**	$	**$**	$
Incentive fee income-based	**$ 2,070**	$ 1,178	**$ 4,537**	$ 3,427
Incentive fee capital gains-based[(C)]	**752**		**752**	
Total incentive fee[(B)]	**2,822**	1,178	**5,289**	3,427
Credits to fees from Adviser - other[(B)]				
Net total incentive fee	**$ 2,822**	$ 1,178	**$ 5,289**	$ 3,427

(A) Average total assets subject to the base management fee is defined in the Advisory Agreement 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*.

(C) The capital gains-based incentive fee is not yet contractually due under the terms of the Advisory Agreement.

Base Management Fee

The base management fee is payable quarterly to the Adviser pursuant to our Advisory Agreement and is assessed at an annual rate of 2.0%, computed on the basis of the value of our average gross assets at the end of the two most recently completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, and adjusted appropriately for any share issuances or repurchases during the period.

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling \$0.1 million for each of the three month periods ended December 31, 2017 and 2016 and \$0.2 million for each of the nine month periods ended December 31, 2017 and 2016, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser, primarily related to the valuation of portfolio companies.

Loan Servicing Fee

The Adviser also services the loans held by our wholly-owned subsidiary, Business Investment (the borrower under the Credit Facility), in return for which the Adviser receives a 2.0% annual fee based on the monthly aggregate outstanding balance of loans pledged under the Credit Facility. Since Business Investment is a consolidated subsidiary of ours, coupled with the fact that the total base management fee paid to the Adviser pursuant to the Advisory Agreement cannot exceed 2.0% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given calendar year, we treat payment of the loan servicing fee pursuant to the Credit Facility as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% non-contractually, unconditionally, and irrevocably credited back to us by the Adviser.

Incentive Fee

The incentive fee payable to the Adviser under our Advisory Agreement 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, adjusted appropriately for any share issuances or repurchases during the period (the Hurdle Rate). The income-based incentive fee with respect to our pre-incentive fee net investment income is payable quarterly to the Adviser and is computed 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);

100.0% 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% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized); and

20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that is 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 20.0% of our realized capital gains, less any realized capital losses and unrealized depreciation, calculated as of the end of the preceding calendar year. The capital gains-based incentive fee payable to the Adviser is calculated based on (i) cumulative aggregate realized capital gains since our inception, less (ii) cumulative aggregate realized capital losses since our inception, less (iii) the entire portfolio s aggregate unrealized capital depreciation, if any, as of the date of the calculation. If this number is positive at the applicable calculation date, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. For calculation purposes, cumulative aggregate realized capital gains, if any, equals the sum of the excess 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 deficit between the net sales price of each investment, when sold, and the original cost of such investment since our inception. The entire portfolio s aggregate unrealized capital depreciation, if any, equals the sum of deficit between the fair value of each investment security as of the applicable calculation date and the original cost of such investment security. We have not incurred capital gains-based incentive fees from inception through December 31, 2017, as aggregate unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

In accordance with GAAP, accrual of the capital gains-based incentive fee is determined as if our investments had been liquidated at their fair values as of the end of the reporting period. Therefore, GAAP requires that the capital gains-based incentive fee accrual consider the 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 any such unrealized capital appreciation will be realized in the future. Accordingly, a GAAP accrual is calculated at the end of the reporting period based on (i) cumulative aggregate realized capital gains since our inception, plus (ii) the entire portfolio s aggregate unrealized capital appreciation, if any, less (iii) cumulative aggregate realized capital losses since our inception, less (iv) the entire portfolio s aggregate unrealized capital depreciation, if any. If such amount is positive at the end of a reporting period, a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years, is recorded, regardless of whether such amount is contractually due under the terms of the Advisory Agreement. If such amount is negative, then there is no accrual for such period. As of and for the three and nine month periods ended December 31, 2017, we recorded a capital gains-based incentive fee of $0.8 million, which is not contractually due under the terms of the Advisory Agreement. There has been no GAAP accrual of a capital gains-based incentive fee for any period prior to December 31, 2017.

Transactions with the Administrator

We pay the Administrator pursuant to the Administration Agreement for our allocable portion of the Administrator s expenses incurred while performing services to us, which are primarily rent and salaries and benefits expenses of the Administrator s employees, including, but not limited to, our chief financial officer and treasurer, chief valuation officer, chief compliance officer and general counsel and secretary (who also serves as the Administrator s president) and their respective staffs.

Our allocable portion of the Administrator s expenses is generally derived by multiplying the Administrator s total expenses by the approximate percentage of time during the current quarter the Administrator s employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. These administrative fees are accrued at the end of the quarter when the services are performed and recorded on our accompanying *Consolidated Statements of Operations* and generally

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paid the following quarter. On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Administration Agreement or interested persons of such party, approved the annual renewal of the Administration Agreement through August 31, 2018.

Other Transactions

Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the non-contractual, unconditional, and irrevocable credits against the base management fee. The fees received by Gladstone Securities from portfolio companies totaled $0.3 million and $0 during the three month periods ended December 31, 2017 and 2016, respectively, and $0.6 million and $0.3 million during the nine month periods ended December 31, 2017 and 2016, respectively.

Related Party Fees Due

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

	As of December 31, 2017	As of March 31, 2017
Base management and loan servicing fee due to Adviser, net of credits	**$ 519**	$ 346
Incentive fee due to Adviser[(A)]	**2,822**	1,324
Other due to Adviser	**50**	1
Total fees due to Adviser	**$ 3,391**	$ 1,671
Fee due to Administrator	**$ 261**	$ 296
Total related party fees due	**$ 3,652**	$ 1,967

(A) Includes a capital gains-based incentive fee of $0.8 million and $0 at December 31, 2017 and March 31, 2017, respectively, recorded in accordance with GAAP requirements and which is not contractually due under the terms of the Advisory Agreement. Refer to Note 4 *Related Party Transactions Transactions with the Adviser Incentive Fee* for additional information.

Net expenses receivable from Gladstone Capital Corporation, one of our affiliated funds, for reimbursement purposes, which includes certain co-investment expenses, totaled $24 and $27 as of December 31, 2017 and March 31, 2017, respectively. These amounts are generally settled in the quarter subsequent to being incurred and have been included in Other Assets, net on the accompanying *Consolidated Statements of Assets and Liabilities* as of December 31, 2017 and March 31, 2017.

NOTE 5. BORROWINGS

Revolving Line of Credit

On November 16, 2016, we, through our wholly-owned subsidiary, Business Investment, entered into Amendment No. 2 to the Fifth Amended and Restated Credit Agreement, originally entered into on April 30, 2013 and as previously amended on June 26, 2014, with KeyBank National Association (KeyBank), as administrative agent, lead arranger, managing agent and lender, the Adviser, as servicer, and certain other lenders party thereto. The revolving period was extended to November 15, 2019, and if not renewed or extended by such date, all principal and interest will be due and payable on or before November 15, 2021 (two years after the revolving period end date). The amended Credit Facility provides a one-year extension option that may be exercised on or before the second anniversary of the November 16, 2016 amendment date, subject to approval by all lenders. Additionally, the Credit Facility commitment amount was changed from $185.0 million to $165.0 million and, subject to certain terms and conditions, can be expanded to a total facility amount of $250.0 million through additional commitments of existing or new lenders. Advances under the Credit Facility generally bear interest at 30-day London Interbank Offered Rate (LIBOR) plus 3.15% per annum until November 15, 2019, with the margin then increasing to 3.40% for the period from November 15, 2019 to November 15, 2020, and increasing further to 3.65% thereafter. The Credit Facility has an unused commitment fee of 0.50% per annum on the portion of the total unused commitment amount that is less than or equal to 45.0% of the total commitment amount and 0.80% per annum on the total unused commitment amount that is greater than 45.0%.

On January 20, 2017, we entered into Amendment No. 3 to the Credit Facility, which clarified a definition in the Company s performance guaranty under the Credit Facility.

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

	As of December 31, 2017	As of March 31, 2017
Commitment amount	**$ 165,000**	$ 165,000
Borrowings outstanding at cost	**96,600**	69,700
Availability[(A)]	**68,400**	95,300

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2017	**2016**	**2017**	**2016**
Weighted average borrowings outstanding	**$ 71,523**	$ 59,392	**$ 51,938**	$ 96,236
Effective interest rate[(B)]	**5.3%**	4.9%	**5.8%**	4.0%
Commitment (unused) fees incurred	**$ 135**	$ 160	**$ 522**	$ 388

(A) Availability is subject to various constraints, characteristics, and applicable advance rates based on collateral quality under the Credit Facility, which equated to an adjusted availability of $62.6 million and $93.4 million as of December 31, 2017 and March 31, 2017, respectively.

(B) Excludes the impact of deferred financing costs and includes weighted average unused commitment fees.

Among other things, the Credit Facility contains a performance guaranty that requires us to maintain (i) a minimum net worth (defined in the Credit Facility to include our mandatory redeemable term preferred stock) of the greater of (a) $210.0 million or (b) $210.0 million plus 50% of all equity and subordinated debt raised minus 50% of any equity or subordinated debt redeemed or retired after November 16, 2016, which equated to $220.6 million as of December 31, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of December 31, 2017, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $471.7 million, asset coverage on our senior securities representing indebtedness of 551.9%, calculated in compliance with the requirements of Sections 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. As of December 31, 2017, we were in compliance with all covenants under the Credit Facility.

In July 2013, pursuant to the terms of the then effective revolving line of credit, we entered into an interest rate cap agreement with KeyBank effective October 2013 for a notional amount of $45.0 million. The interest rate cap agreement expired in April 2016. Prior to its expiration in April 2016, the agreement effectively limited the interest rate on a portion of our borrowings under the then effective revolving line of credit. We incurred a premium fee of $75 in conjunction with this agreement, which was recorded in Net realized loss on other on our accompanying *Consolidated Statements of Operations* during the nine months ended December 31, 2016.

Secured Borrowing

In August 2012, we entered into a participation agreement with a third-party related to $5.0 million of our secured second lien 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 Topic 860, *Transfers and Servicing* 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 *Consolidated Statements of Assets and Liabilities* reflects the entire secured second lien term debt investment in Ginsey and a corresponding $5.1 million secured borrowing liability. The secured borrowing has a stated fixed interest rate of 7.0% and a maturity date of January 3, 2021.

Fair Value

We elected to apply the fair value option of ASC Topic 825, *Financial Instruments*, to the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of the Credit Facility is determined using a yield analysis, which includes a DCF calculation and also takes into account the assumptions the Valuation Team believes market participants would use, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. At December 31, 2017 and March 31, 2017, the discount rate used to determine the fair value of the Credit Facility was 30-day LIBOR, plus 3.00% and 3.15%, respectively, per annum, plus an unused fee of 0.5% and 0.6%, respectively. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding decrease or increase, respectively, in the fair value of the Credit Facility. At each of December 31, 2017 and March 31, 2017, the Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in Net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

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The following tables present the Credit Facility, carried at fair value as of December 31, 2017 and March 31, 2017, 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 three and nine months ended December 31, 2017 and 2016:

	Level 3 Borrowings Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	December 31, 2017	**March 31, 2017**
Credit Facility	**$ 96,858**	$ 69,700

Fair Value Measurements of Borrowings Using Significant

Unobservable Inputs (Level 3) Reported in *Consolidated Statements of Assets and Liabilities*

	Credit Facility
Three months ended December 31, 2017:	
Fair value at September 30, 2017	$ 56,700
Borrowings	46,700
Repayments	(6,800)
Unrealized appreciation	258
Fair value at December 31, 2017	**$ 96,858**
Nine months ended December 31, 2017:	
Fair value at March 31, 2017	$ 69,700
Borrowings	96,300
Repayments	(69,400)
Unrealized appreciation	258
Fair value at December 31, 2017	**$ 96,858**

Fair Value Measurements of Borrowings Using Significant

Unobservable Inputs (Level 3) Reported in *Consolidated Statements of Assets and Liabilities*

		Credit Facility
Three months ended December 31, 2016:		
Fair value at September 30, 2016	$	63,500
Borrowings		8,000
Repayments		(27,800)
Fair value at December 31, 2016	**$**	**43,700**
Nine months ended December 31, 2016:		
Fair value at March 31, 2016	$	95,000
Borrowings		45,200
Repayments		(96,500)
Fair value at December 31, 2016	**$**	**43,700**

The fair value of the collateral under the Credit Facility was $484.6 million and $448.0 million as of December 31, 2017 and March 31, 2017, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

The following tables summarize our 6.75% Series B Cumulative Term Preferred Stock (our Series B Term Preferred Stock or Series B), our 6.50% Series C Cumulative Term Preferred Stock (our Series C Term Preferred Stock or Series C), and our 6.25% Series D Cumulative Term Preferred Stock (our Series D Term Preferred Stock or Series D) outstanding as of December 31, 2017 and March 31, 2017:

As of December 31, 2017:

Class of Term Preferred Stock	Ticker Symbol	Date Issued	Mandatory Redemption Date(A)	Interest Rate	Shares Outstanding	Liquidation Preference per Share	Total Liquidation Preference
Series B	GAINO	November 13, 2014	December 31, 2021	6.75%	1,656,000	$ 25.00	**$ 41,400**
Series C	GAINN	May 12, 2015	May 31, 2022	6.50%	1,610,000	25.00	**40,250**
Series D	GAINM	September 26, 2016	September 30, 2023	6.25%	2,300,000	25.00	**57,500**
Term preferred stock, gross(B)					**5,566,000**	**$ 25.00**	**$ 139,150**
Less: Discounts							**(3,730)**
Term preferred stock, net(C)							**$ 135,420**

As of March 31, 2017:

Class of Term Preferred Stock	Ticker Symbol	Date Issued	Mandatory Redemption Date(A)	Interest Rate	Shares Outstanding	Liquidation Preference per Share	Total Liquidation Preference
Series B	GAINO	November 13, 2014	December 31, 2021	6.75%	1,656,000	$ 25.00	$ 41,400
Series C	GAINN	May 12, 2015	May 31, 2022	6.50%	1,610,000	25.00	40,250
Series D	GAINM	September 26, 2016	September 30, 2023	6.25%	2,300,000	25.00	57,500
Term preferred stock, gross(B)					5,566,000	$ 25.00	$ 139,150
Less: Discounts							(4,315)
Term preferred stock, net(C)							$ 134,835

(A) The optional redemption dates for each of our series of mandatorily redeemable preferred stock are: any time on or after December 31, 2017 for our Series B Term Preferred Stock, any time on or after May 31, 2018 for our Series C Term Preferred Stock, and any time on or after September 30, 2018 for our Series D Term Preferred Stock.

(B) As of December 31, 2017 and March 31, 2017, the asset coverage on our senior securities that are stock calculated pursuant to Sections 18 and 61 of the 1940 Act was 236.0% and 235.6%, respectively.

(C) Reflected as a line item on our accompanying *Consolidated Statement of Assets and Liabilities* pursuant to the adoption of Accounting Standard Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* during the nine months ended December 31, 2016.

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The following tables summarize dividends declared by our Board of Directors and paid by us on our 7.125% Series A Cumulative Term Preferred Stock (our Series A Term Preferred Stock), Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock during the nine months ended December 31, 2017 and 2016:

For the Nine Months Ended December 31, 2017:

Declaration Date	Record Date	Payment Date	Dividend per Share of Series B Term Preferred Stock	Dividend per Share of Series C Term Preferred Stock	Dividend per Share of Series D Term Preferred Stock(A)
April 11, 2017	April 21, 2017	April 28, 2017	$ 0.140625	$ 0.135417	$ 0.13020833
April 11, 2017	May 19, 2017	May 31, 2017	0.140625	0.135417	0.13020833
April 11, 2017	June 21, 2017	June 30, 2017	0.140625	0.135417	0.13020833
July 11, 2017	July 21, 2017	July 31, 2017	0.140625	0.135417	0.13020833
July 11, 2017	August 21, 2017	August 31, 2017	0.140625	0.135417	0.13020833
July 11, 2017	September 20, 2017	September 29, 2017	0.140625	0.135417	0.13020833
October 10, 2017	October 20, 2017	October 31, 2017	0.140625	0.135417	0.13020833
October 10, 2017	November 20, 2017	November 30, 2017	0.140625	0.135417	0.13020833
October 10, 2017	December 19, 2017	December 29, 2017	0.140625	0.135417	0.13020833
		Total	**$ 1.265625**	**$ 1.218753**	**$ 1.17187497**

For the Nine Months Ended December 31, 2016:

Declaration Date	Record Date	Payment Date	Dividend per Series A Term Preferred Share(B)	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share	Dividend per Series D Term Preferred Share
April 12, 2016	April 22, 2016	May 2, 2016	$ 0.1484375	$ 0.140625	$ 0.135417	$
April 12, 2016	May 19, 2016	May 31, 2016	0.1484375	0.140625	0.135417	
April 12, 2016	June 17, 2016	June 30, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	July 22, 2016	August 2, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	August 22, 2016	August 31, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	September 21, 2016					