GLADSTONE INVESTMENT CORPORATION\DE
Form 497
August 29, 2018

Filed pursuant to Rule 497
Registration Statement No. 333-225447

PROSPECTUS SUPPLEMENT

(To Prospectus Dated July 13, 2018)

Up to $35,000,000

Common Stock

We are an externally managed, 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). For federal income tax purposes, we have elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). Generally, 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, generally in combination with the aforementioned debt securities, of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains.

We previously entered into separate sales agreements, each dated February 22, 2018, each a Sales Agreement and collectively the Sales Agreements, with Cantor Fitzgerald & Co., Ladenburg Thalmann & Co. Inc. and Wedbush Securities Inc. (each a Sales Agent and collectively the Sales Agents), relating to the shares of our common stock, par value $0.001 per share, offered pursuant to this prospectus supplement and the accompanying prospectus. The Sales Agreements provide that we may offer and sell up to an aggregate offering price of $35,000,000 of our common stock from time to time through the Sales Agents. As of the date of this prospectus supplement, we have sold 296,236 shares of our common stock under the Sales Agreements and have the ability to sell an aggregate offering price of up to $31.8 million of our common stock under the Sales Agreements. Subject to the terms of the Sales Agreements, the Sales Agents are not required to sell any specific number or dollar amounts of securities but will act as our sales agents using commercially reasonable efforts consistent with their normal trading and sales practices, on mutually agreed terms between the Sales Agents and us.

The Sales Agents will be entitled to compensation under the terms of the Sales Agreements at a commission of up to 2.0% of the gross sales price per share of common stock sold pursuant to the Sales Agreements. In connection with the sale of our common stock on our behalf, the Sales Agents will be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (the Securities Act), and the compensation of the Sales Agents will be deemed to be underwriting commissions or discounts. We have also agreed to provide indemnification and contribution to the Sales Agents against certain civil liabilities, including liabilities under the Securities Act.

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be made by transactions that are deemed to be part of an at the market offering as defined in Rule 415(a)(4) promulgated under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to the Nasdaq Global Select Market (Nasdaq), in accordance with Rule 153 under the Securities Act, or such other sales as may be agreed by us and the Sales Agents, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. The offering of shares of common stock pursuant to the Sales Agreements will terminate upon the earlier of (1) the sale of shares of common stock having an aggregate offering price of $35,000,000, (2) the termination of the Sales Agreements by us or the Sales Agents, or (3) the date six years from the date of the Sales Agreements. See *Plan of Distribution* beginning on page S-44 of this prospectus supplement.

Our common stock is traded on Nasdaq under the symbol GAIN. On August 28, 2018 the last reported sale price of our common stock on Nasdaq was $12.00 per share. The net asset value (NAV), per share of our common stock on June 30, 2018 (the last date prior to the date of this prospectus supplement as of which we determined NAV) was $11.57. You are urged to obtain current market quotations of our common stock.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV. If our shares trade at a discount to our NAV, it will likely increase the risk of loss for purchasers in this offering. On August 9, 2018, our stockholders voted to allow us to issue common stock at a price below NAV per share for the period ending on the one year anniversary of the date of our 2018 Annual Meeting of Stockholders. Our stockholders did not specify a maximum discount below NAV at which we are able to issue our common stock, although the number of shares sold in each offering may not exceed 25% of our outstanding common stock immediately prior to such sale. In addition, we cannot issue shares of our common stock below NAV unless our board of directors (Board of Directors) determines that it would be in our and our stockholders best interests to do so. Sales of common stock at prices below NAV per share dilute the interests of existing stockholders, have the effect of reducing our NAV per share and may reduce our market price per share. In addition, continuous sales of common stock below NAV may have a negative impact on total returns and could have a negative impact on the market price of our shares of common stock. **See *Sales of Common Stock Below Net Asset Value* in this prospectus supplement and in the accompanying prospectus.**

The securities in which we invest generally would be rated below investment grade if they were rated by rating agencies. Below investment grade securities, which are often referred to as junk, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. They may also be difficult to value and are illiquid.

Investing in shares of our common stock involves a high degree of risk. Before investing, you should read the material risks described in the *Risk Factors* section beginning on page S-13 of this prospectus supplement and beginning on page 13 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock, including information about risks. Please read it before you invest and retain it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission (the SEC), and can be accessed at its website at *www.sec.gov*. This information is also available free of charge by calling us collect at (703) 287-5893 or on the investor relations section of our corporate website located at *www.gladstoneinvestment.com*. You may also call us collect at this number to request other information or to make a shareholder inquiry. See *Where You Can Find More Information* on page S-46 of this prospectus supplement. **The SEC has not approved or disapproved these securities or passed upon the adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is**

a criminal offense.

Cantor	**Ladenburg Thalmann**	**Wedbush Securities**

The date of this prospectus supplement is August 29, 2018

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is presented in two parts. The first part is comprised of this prospectus supplement, which describes the specific terms of this common stock at-the-market offering and certain other matters relating to us. The second part, the accompanying prospectus, contains a description of our common stock and provides more general information, some of which does not apply to this offering, regarding securities that we may offer from time to time. To the extent that the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, the information in this prospectus supplement will supersede such information.

This prospectus supplement is part of a registration statement on Form N-2 (Registration No. 333-225447) that we have filed with the SEC relating to the securities offered hereby. This prospectus supplement does not contain all of the information that we have included in the registration statement and the accompanying exhibits and schedules thereto in accordance with the rules and regulations of the SEC, and we refer you to such omitted information. It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference into this prospectus supplement and the accompanying prospectus. See *Where You Can Find More Information* in this prospectus supplement.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of the securities may be restricted by law in certain jurisdictions. This prospectus supplement and the accompanying prospectus are not an offer to sell or a solicitation of an offer to buy shares of our common stock in any jurisdiction where such offer or any sale would be unlawful. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves of and observe any such restrictions.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not, and the Sales Agents have not, authorized any other person to provide you with information that is different or additional. If anyone provides you with different or additional information, you should not rely on it. We do not, and the Sales Agents and their affiliates do not, take any responsibility for, and can provide no assurances as to, the reliability of any information that others may provide to you. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than their respective dates, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus or any sales of our common stock. Our business, financial condition, liquidity, results of operations, funds from operations and prospects may have changed since those dates. To the extent required by law, we will amend or supplement the information contained in this prospectus supplement and the accompanying prospectus.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights some of the information included in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all the information that you may want to consider. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus prior to making an investment in our common stock, and especially the information set forth under the heading Risk Factors in this prospectus supplement and the accompanying prospectus.

In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, Gladstone Investment, GAIN, we, us or our refer to Gladstone Investment Corporation; Adviser refers to Gladstone Management Corporation and Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to our Adviser, the Administrator and its affiliated companies.

Gladstone Investment Corporation

We were incorporated under the General Corporation Law of the State of Delaware on February 18, 2005. We operate as an externally managed closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. To continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements. Since our initial public offering in 2005 and through June 30, 2018, we have made 156 consecutive monthly distributions to common stockholders.

As of August 28, 2018, we had 32,822,459 shares of common stock outstanding, 1,656,000 shares of 6.75% Series B Cumulative Term Preferred Stock due 2021 (the Series B Term Preferred Stock) outstanding, 1,610,000 shares of 6.50% Series C Cumulative Term Preferred Stock due 2023 (the Series C Term Preferred Stock) outstanding, 2,300,000 shares of 6.25% Series D Cumulative Term Preferred Stock (the Series D Term Preferred Stock) outstanding and 2,990,000 shares of 6.375% Series E Cumulative Term Preferred Stock due 2025 (the Series E Term Preferred Stock and, together with the Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock, the Term Preferred Stock) outstanding. We are required to redeem all shares of our Series B Term Preferred Stock on December 31, 2021, all shares of our Series C Term Preferred Stock on May 31, 2022, all shares of our outstanding Series D Term Preferred Stock on September 30, 2023 and all shares of our outstanding Series E Term Preferred Stock on August 31, 2025. On August 15, 2018, we announced our plans to redeem all of our outstanding Series B Term Preferred Stock and our Series C Term Preferred Stock on August 31, 2018, contingent upon our successful completion of the public offering of our newly designated Series E Term Preferred Stock.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at *www.GladstoneInvestment.com*. Information on, or accessible through, our website is not incorporated into or a part of this prospectus supplement or the accompanying prospectus.

Investment Adviser and Administrator

We are externally managed by the Adviser, an affiliate of ours, under an investment advisory and management agreement (the Advisory Agreement) and another of our affiliates, the Administrator, provides administrative services to us pursuant to a contractual agreement (the Administration Agreement). Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our

chairman and chief executive officer. Mr. Gladstone and Terry Lee Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president, general counsel and secretary of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including, but not limited to: Gladstone Commercial Corporation (Gladstone Commercial), a publicly-traded real estate investment trust; Gladstone Capital Corporation (Gladstone Capital), a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust (Gladstone Land, together with Gladstone Commercial, and Gladstone Capital, collectively the Affiliated Public Funds). In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.). 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, generally in combination with the aforementioned debt securities, of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with individual investments generally totaling up to $30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We intend that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2018, our investment portfolio was made up of 74.2% in debt securities and 25.8% in equity securities, at cost.

We focus on investing in lower middle market private businesses (which we generally define as private companies with annual earnings before interest, taxes, depreciation and amortization (EBITDA) of $3 million to $20 million) (Lower Middle Market) in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the portfolio company, reasonable capitalization of the portfolio company, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples, and the potential to realize appreciation and gain liquidity in our equity position, if any. We anticipate that liquidity in our equity position will be achieved through a merger or acquisition of the portfolio company, a public offering of the portfolio company s stock or, to a lesser extent, by exercising our right to require the portfolio company to repurchase our warrants, though there can be no assurance that we will always have these rights. We invest in portfolio companies that need funds for growth capital, to finance acquisitions, recapitalize or, to a lesser extent, refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises.

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We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the SEC granted us an exemptive order (the Co-Investment Order) that expanded our ability to co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Capital and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser, or any combination of the foregoing, subject to the conditions in the Co-Investment Order. Since 2012, we have opportunistically made several co-investments with Gladstone Capital pursuant to the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

In general, our investments in debt securities have a term of five years, accrue interest at variable rates (based on the one-month London Interbank Offered Rate (LIBOR)) and, to a lesser extent, at fixed rates. As of June 30, 2018, our loan portfolio consisted of 97.2% variable rate loans with floors and 2.8% fixed rate loans based on the total principal balance of all outstanding debt investments. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, and which may include a yield enhancement such as a success fee or, to a lesser extent, deferred interest provision and are primarily interest only, with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of the business. Some debt securities may have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind (PIK) interest. As of June 30, 2018, we did not have any securities with a PIK feature.

Typically, our investments in equity securities take the form of common stock, preferred stock, limited liability company interests, or warrants or options to purchase any of the foregoing. Often, these equity investments occur in connection with our original investment, buyouts and recapitalizations of a business, or refinancing existing debt. From our initial public offering in 2005 through June 30, 2018, we have made investments in 48 companies, excluding investments in syndicated loans, for a total of approximately $1 billion, before giving effect to principal repayments and divestitures.

We expect that our investment portfolio will continue to primarily include the following three categories of investments in private companies in the U.S.:

First Lien Secured Debt Securities: We seek to invest a portion of our assets in first lien secured debt securities also known as senior loans, senior term loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses first lien secured debt to cover a substantial portion of the funding needs of the business. These debt securities usually take the form of first priority liens on all, or substantially all, of the assets of the business.

Second Lien Secured Debt Securities: We seek to invest a portion of our assets in second lien secured debt securities, which may also be referred to as subordinated loans, subordinated notes and mezzanine loans. These second lien secured debt securities rank junior to the borrower s first lien secured debt securities and may be secured by second priority liens on all or a portion of the assets of the business. Additionally, we may receive other yield enhancements, such as warrants to buy common and preferred stock or limited liability interests, in connection with these second lien secured debt securities.

Preferred and Common Equity/Equivalents: We seek to invest a portion of our assets in equity securities, which consist of preferred and common equity, limited liability company interests, warrants or options to acquire such securities, and are generally in combination with our debt investment in a business. Additionally, we may receive equity investments derived from restructurings on some of our existing debt investments. In many cases, we will own a significant portion of the equity of the businesses in which we invest.

Pursuant to Section 55(a) of the 1940 Act, we must maintain at least 70% of our total assets in qualifying assets, which generally include each of the investment types listed above. Therefore, the 1940 Act permits us to invest up to 30% of our assets in other non-qualifying assets. See *Regulation as a Business Development Company Qualifying Assets* in the accompanying prospectus for a discussion of the types of qualifying assets in which we are permitted to invest pursuant to Section 55(a) of the 1940 Act.

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered higher risk as compared to investment grade debt instruments. With the exception of our policy to conduct our business as a BDC, these investment policies are not fundamental and may be changed without stockholder approval.

Recent Developments

Amendment to Revolving Line of Credit

On August 22, 2018, we, through our wholly-owned subsidiary Gladstone Business Investment, LLC, entered into Amendment No. 4 (the Amendment) to its Fifth Amended and Restated Credit Agreement (the Credit Facility) with KeyBank National Association (KeyBank), as administrative agent, swingline lender, managing agent and lead arranger, the Adviser, as servicer, and certain other lenders party thereto. Among other things, the Amendment:

- Increases the facility size from $165.0 million to $200.0 million, which may be expanded to $300.0 million through additional commitments;

- Extends the revolving period from November 15, 2019 to August 22, 2021;

- Extends the maturity date from November 15, 2021 to August 22, 2023, at which time all principal and interest will be due and payable;

- Reduces the interest rate margin by 30 basis points from 3.15% to 2.85% during the revolving period (ending August 21, 2021), after which the margin increases to 3.10% for a one year period, and to 3.35% for the remaining term of the Credit Facility thereafter;

- Changes the unused commitment fee from 0.50% on the portion of the total unused commitment amount that is less than or equal to 45% of the total commitments and 0.80% on the total unused commitment amount that is greater than 45% to: 0.50% when the average unused commitment amount for the reporting period is equal to or less than 50%, 0.75% when the average unused commitment amount for the reporting period is greater than 50%, but less than or equal to 65%, and 1.00% when the average unused commitment amount for the reporting period is greater than 65%; and

Reduces the minimum asset coverage with respect to senior securities representing indebtedness from 200% to 150% (or such percentage as may be set forth in the 1940 Act).

Issuance of Series E Term Preferred Stock

On August 22, 2018, the Company closed its previously announced offering of 2,600,000 shares of its newly-designated Series E Term Preferred Stock at a public offering price of $25.00 per share. Simultaneously with the closing of the offering, the underwriters exercised in full their option to purchase an additional 390,000 Series E Term Preferred Stock on the same terms to cover over-allotments, resulting in a total issuance of 2,990,000 shares for gross proceeds of approximately $74.8 million and net proceeds of approximately $72.1 million, after payment of underwriting discounts and commissions and estimated offering expenses. The Series E Term Preferred Stock is expected to begin trading on the Nasdaq Global Select Market (Nasdaq) within 30 days of August 14, 2018 under the symbol GAINL. We expect to use the proceeds from the issuance of our Series E Term Preferred Stock, plus borrowings under our Credit Facility, to voluntarily redeem all outstanding shares of our Series B Term Preferred Stock and our Series C Term Preferred Stock on August 31, 2018, each of which had a liquidation preference of $25.00 per share.

Redemption of Series B Term Preferred Stock and Series C Term Preferred Stock

Pursuant to the Certificate of Designation of the Series B Term Preferred Stock, as amended, and the Certificate of Designation of the Series C Term Preferred Stock, the Company expects to voluntarily redeem all outstanding shares of its Series B Term Preferred Stock and its Series C Term Preferred Stock on August 31, 2018, at the liquidation preference of $25.00 per share, plus accrued and unpaid dividends through the end of August in the amount of $0.00 per share, for a payment per share of $25.00 and an aggregate redemption price of approximately $81.7 million. The Series B Term Preferred Stock and Series C Term Preferred Stock have a mandatory redemption date of December 31, 2021 and May 31, 2022, respectively.

Renewal of our Advisory Agreement

On July 10, 2018, our Board of Directors, including a majority of the directors who are not parties to the agreement or interested persons of any such party, approved the annual renewal of the Advisory Agreement with the Adviser through August 31, 2019. Mr. Gladstone, our chairman and chief executive officer, controls the Adviser. In reaching a decision to approve the Advisory Agreement, our Board of Directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;
- our investment performance and that of the Adviser;
- the costs of the services to be provided and profits to be realized by the Adviser from the relationship with us;
- the fee structures of comparable externally managed business development companies that engage in similar investing activities; and
- various other matters.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not interested persons as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as being in the best interests of our stockholders.

Distributions to Stockholders

In July 2018, our Board of Directors declared the following monthly distributions to common stockholders and monthly dividends to holders of our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock:

Record Date	**Payment Date**	**Distribution per Common Share**	**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**
July 20, 2018	July 31, 2018	$ 0.067	$ 0.140625	$ 0.135417	$ 0.13020833
August 21, 2018	August 31, 2018	0.067	0.140625	0.135417	0.13020833
September 19, 2018	September 28, 2018	0.067	0.140625	0.135417	0.13020833
	Total for the Quarter:	**$ 0.201**	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

THE OFFERING

Common stock offered	Shares with a maximum aggregate offering price of up to $35,000,000.
Common stock outstanding prior to this offering	32,822,459 shares.
Plan of Distribution	At the market offering that may be made from time to time through the Sales Agents. See *Plan of Distribution* beginning on page S-44 of this prospectus supplement. On February 22, 2018, we established the at-the-market program to which this prospectus supplement relates and entered into the Sales Agreements with the Sales Agents. Through the date of this prospectus supplement, 296,236 shares of common stock with an aggregate offering price of approximately $3.2 million were issued and sold pursuant to the Sales Agreement. An aggregate offering price of up to $31.8 million of our common stock remains available for sale under the Sales Agreements.
Use of Proceeds	If we sell shares of our common stock with an aggregate offering price of $35.0 million, of which $31.8 million is available under the Sales Agreements as of the date of this prospectus supplement, we anticipate that our net proceeds, after deducting the Sales Agents maximum commissions and estimated offering expenses payable by us, will be approximately $34.1 million. We intend to use the net proceeds from this offering first to repay outstanding indebtedness under the Credit Facility, with KeyBank, as administrative agent, lead arranger and a lender, then to fund new investment opportunities in accordance with our investment objectives, with any remaining proceeds to be used for other general corporate purposes. See *Use of Proceeds* on page S-18 of this prospectus supplement.
Nasdaq symbol	GAIN
Distributions on common stock	From our initial public offering in June 2005 through June 30, 2018, we have made 156 consecutive monthly distributions to common stockholders and generally intend to continue to do so. The amount of monthly distributions on our common stock is generally determined by

our Board of Directors on a quarterly basis and is based on management s estimate of our annual taxable ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (Investment Company Taxable Income), if any. See *Price Range of Common Stock and Distributions* beginning on page S-19 of this prospectus supplement. Because our distributions to common stockholders are based on estimates of Investment Company Taxable Income that may differ from actual results, future distributions payable to our common stockholders may also include a return of capital. Such return of capital distributions may increase an

	investor s tax liability for capital gains upon the sale of our shares by reducing the investor s tax basis for such shares. See *Risk Factors Risks Related to an Investment in Our Securities Distributions to our common stockholders have included and may in the future include a return of capital* in the accompanying prospectus. Certain additional amounts may be deemed as distributed to stockholders for income tax purposes or may be paid as supplemental distributions, as applicable. We expect other types of securities to pay distributions in accordance with their terms.
Tax matters	See *Material U.S. Federal Income Tax Considerations* beginning on page 126 of the accompanying prospectus for a discussion of material U.S. federal income tax considerations applicable to an investment in shares of our common stock.
Risk Factors	Investing in shares of our common stock involves substantial risks. Please carefully read and consider the information described under *Risk Factors* beginning on page S-13 of this prospectus supplement and beginning on page 13 of the accompanying prospectus before making an investment decision.

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in this offering will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus supplement contains a reference to fees or expenses paid by us or Gladstone Investment, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Gladstone Investment. The following annualized percentages were calculated based on actual expenses incurred in the quarter ended June 30, 2018 and average net assets for the quarter ended June 30, 2018 and do not include events occurring subsequent thereto. The table and examples below include all fees and expenses of our consolidated subsidiaries.

Stockholder Transaction Expenses:	
Sales load or other commission (as a percentage of offering price)(1)	2.00%
Offering expenses (as a percentage of offering price)(2)	0.48%
Dividend reinvestment plan expenses (per sales transaction fee)(3)	Up to $25 Transaction fee
Total stockholder transaction expenses (as a percentage of offering price)	2.48%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Base management fee(5)	3.42%
Loan Servicing fee(6)	1.91%
Incentive fees (20% of realized capital gains and 20% of pre-incentive fee net investment income)(7)	1.18%
Interest payments on borrowed funds(8)	2.10%
Dividend expense on mandatorily redeemable preferred stock(9)	2.69%
Other expenses(10)	1.48%
Total annual expenses(11)	12.78%

(1) Represents the maximum commission with respect to the shares of common stock being sold in this offering. The Sales Agents will be entitled to compensation of up to 2.00% of the gross proceeds of the sale of any shares of our common stock under the Sales Agreement, with the exact amount of such compensation to be mutually agreed upon by us and the Sales Agents from time to time. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus.

(2) The percentage reflects estimated offering expenses of approximately $0.2 million and assumes we sell all $35.0 million of common stock available under the Sales Agreement pursuant to this prospectus supplement and the accompanying prospectus.

(3) The expenses of the dividend reinvestment plan, if any, are included in stock record expenses, a component of Other expenses. If a participant elects by written notice to the plan agent prior to termination of his or her account to have the plan agent sell part or all of the shares held by the plan agent in the participant s account and remit the proceeds to the participant, the plan agent is authorized to deduct a transaction fee, plus per share brokerage commissions, from the proceeds. The participants in the dividend reinvestment plan will also bear a transaction fee, plus per share brokerage commissions incurred with respect to open market purchases, if any. See *Dividend Reinvestment Plan* in the accompanying prospectus for information on the dividend reinvestment plan.

(4) The percentages presented in this table are gross of credits to any fees.

(5) In accordance with the Advisory Agreement, our annual base management fee is 2.00% (0.5% quarterly) of our average gross assets, which are defined as 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. In accordance with the requirements of the SEC, the table above shows our base management fee as a percentage of average net assets attributable to common shareholders. For purposes of the table, the annualized base management fee has been converted to 3.42% of the average net assets for the quarter ended June 30, 2018 by dividing the total annualized amount of the base management fee by our average net assets. The base management fee for the quarter ended June 30, 2018 before application of any credits was $3.1 million.

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, is retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser and primarily for the valuation of portfolio companies. For the quarter ended June 30, 2018, $1.0 million of these fees were non-contractually, unconditionally and irrevocably credited against the base management fee. See *Business Transactions with Related Parties Investment Advisory and Management Agreement* and *Management Certain Transactions Investment Advisor and Administrator* in the accompanying prospectus.

(6) The Adviser services, administers and collects on the loans held by Gladstone Business Investment, LLC, our wholly-owned subsidiary (Business Investment), in return for which the Adviser receives a 2.00% annual loan servicing fee payable monthly by Business Investment based on the monthly aggregate balance of loans held by Business Investment in accordance with 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 2.00% 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 our 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. The loan servicing fee for the three months ended June 30, 2018 was $1.7 million. See *Business Transactions with Related Parties Loan Servicing Fee Pursuant to Credit Facility* and *Management Certain Transactions Loan Servicing Fee Pursuant to Credit Facility* in the accompanying prospectus and footnote 7 below.

(7) The incentive fee payable to the Adviser under the Advisory Agreement consists of two parts: an income-based fee and a capital gains-based fee. The income-based incentive fee is payable quarterly in arrears, and equals 20% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7% annualized) hurdle rate of our net assets, adjusted appropriately for any share issuances or repurchases, subject to a catch-up provision measured as of the end of each calendar quarter. The catch-up provision requires us to pay 100% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125% of the quarterly hurdle rate (or 2.1875%) in any calendar quarter (8.75% annualized). The catch-up provision is meant to provide our Adviser with 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125% of the quarterly hurdle rate in any calendar quarter (8.75% annualized). For the three months ended June 30, 2018, the income-based incentive fee was $1.1 million.

The capital gains-based incentive fee equals 20% of our net realized capital gains in excess of unrealized depreciation since our inception, if any, computed as all realized capital gains net of all realized capital losses and unrealized capital depreciation since our inception, less any prior payments, and is payable at the end of each fiscal year. During the three months ended June 30, 2018, we recorded a capital gains-based incentive fee of $6.5 million in accordance with the provisions of U.S. generally accepted accounting principles (GAAP), which is not contractually due under the terms of the Advisory Agreement. All capital gains-based incentive fees which are not contractually due under the terms of the Advisory Agreement were excluded for purposes of calculating the incentive fees included in the Fees and Expenses table above.

No credits were applied to the incentive fee for the three months ended June 30, 2018; however, the Adviser may credit such fee in the future.

Examples of how the incentive fee would be calculated are as follows:

Assuming pre-incentive fee net investment income of 0.55%, there would be no income-based incentive fee because such income would not exceed the hurdle rate of 1.75%.

Assuming pre-incentive fee net investment income of 2.00%, the income-based incentive fee would be as follows:

= 100.0% × (2.00% - 1.75%)

= 0.25%

Assuming pre-incentive fee net investment income of 2.30%, the income-based incentive fee would be as follows:

= (100.0% × (catch-up : 2.1875% - 1.75%)) + (20.0% × (2.30% - 2.1875%))

= (100.0% × 0.4375%) + (20.0% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

Assuming net realized capital gains of 6% and realized capital losses and unrealized capital depreciation of 1%, the capital gains-based incentive fee would be as follows:

= 20.0% × (6.0% - 1.0%)

= 20.0% × 5.0%

= 1.0%

For a more detailed discussion of the calculation of the two-part incentive fee, including the capital gains-based incentive fee calculation under GAAP, see *Business Transactions with Related Parties Investment Advisory and Management Agreement* in the accompanying prospectus.

(8) Includes amortization of deferred financing costs. As of June 30, 2018, we had $102.5 million in borrowings outstanding under our Credit Facility and $5.1 million of secured borrowings. See *Recent Developments* in this prospectus supplement for additional information regarding the most recent amendment to our Credit Facility.

(9) Includes dividends paid on our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock and amortization of deferred financing costs. See *Description of Our Securities Preferred Stock* in

the accompanying prospectus for additional information. See also *Recent Developments* in this prospectus supplement for additional information regarding the redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock and our newly issued Series E Term Preferred Stock.

(10) Includes our overhead expenses, including payments under the Administration Agreement based on our projected allocable portion of overhead and other expenses incurred by our Administrator in performing its obligations under the Administration Agreement. See *Business Transactions with Related Parties Administration Agreement* and *Management Certain Transactions Investment Advisor and Administrator* in the accompanying prospectus.

(11) Total annualized gross expenses, based on actual amounts incurred for the three months ended June 30, 2018, would be $72.6 million. After all non-contractual, unconditional, and irrevocable credits described in footnote 5, footnote 6, and footnote 7 above are applied to the base management fee and the loan servicing fee, total annualized expenses after fee credits, based on actual amounts incurred for the three months ended June 30, 2018, would be $61.8 million or 16.96% as a percentage of net assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above. **The example below and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5.00% annual return, our performance will vary and may result in a return greater or less than 5.00%.**

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment:				
assuming a 5% annual return consisting entirely of ordinary income(1)(2)	$ 122	$ 340	$ 528	$ 891
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 131	$ 361	$ 556	$ 921

(1) For purposes of this example, we have assumed that the entire amount of the assumed 5.00% annual return would constitute ordinary income as we have not historically realized positive capital gains (computed net of all realized capital losses) in excess of unrealized depreciation on our investments through June 30, 2018. While we recorded a capital gains-based incentive fee of $6.5 million during the three months ended June 30, 2018 in accordance with GAAP, this amount is not contractually due under the terms of the Advisory Agreement. Because the assumed 5.00% annual return is significantly below the hurdle rate of 7.00% (annualized) that we must achieve under the investment advisory and management agreement to trigger the payment of an income-based incentive fee, we have assumed, for purposes of this example, that no income-based incentive fee would be payable if we realized a 5.00% annual return on our investments.

(2) While the example assumes reinvestment of all distributions at NAV per share, participants in the dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution, and this price per share may differ from NAV per share. See *Dividend Reinvestment Plan* in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of the assumed 5.00% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation would have to be overcome first before a capital gains-based incentive fee is payable.

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this prospectus supplement and the accompanying prospectus before making a decision to purchase our shares. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our securities and NAV of our common stock could decline, and you may lose all or part of your investment.

Our management will have broad discretion in the use of the net proceeds from this offering and may allocate the net proceeds from this offering in ways that you and other stockholders may not approve of.

Our management will have broad discretion in the use of the net proceeds, including for any of the purposes described in the section entitled *Use of Proceeds*, and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used in ways with which you may not agree or may not otherwise be considered appropriate. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure of our management to use these funds effectively could harm our business. Pending their use, we may invest the net proceeds from this offering in short-term, investment grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders.

We may be unable to invest a significant portion of the net proceeds of this offering on acceptable terms.

Delays in investing the net proceeds raised in an offering or from exiting an investment, prepayment of an investment or other capital source may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds from any offering, from exiting an investment, prepayment of an investment or other capital source on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

Market interest rates may have an effect on the value of our common stock.

One of the factors that will influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which, while currently at low levels relative to historical rates, although they have recently experienced gradual increases, may lead prospective purchasers of our common stock to expect a higher distribution yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decrease.

Our most recent NAV was calculated on June 30, 2018 and our NAV when calculated as of September 30, 2018 and subsequent periods may be higher or lower.

As of June 30, 2018, our NAV per share was $11.57, which was based on the fair value our investments that were reviewed and approved by our Board of Directors (and the valuation committee thereof). NAV per share as of September 30, 2018, and following quarters, may be higher or lower than $11.57 based on potential changes in valuations, issuances of securities, or distributions paid and earnings for the quarter then ended. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis, and if our September 30, 2018 fair value is less than the June 30, 2018 fair value, we will record an unrealized loss on our investment portfolio. If the fair value is greater, we will record an unrealized gain on our investment portfolio. Upon publication of our next quarterly NAV per share determination (generally in our next Quarterly Report on Form 10-Q), the market price of our common stock may fluctuate materially.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV per share, which may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

Shares of closed-end investment companies, including BDCs, frequently trade at a discount from NAV per share. This characteristic of shares of closed-end investment companies is separate and distinct from the risk that our NAV per share will decline. As with any stock, the price of our shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Whether investors will realize gains or losses upon the sale of our shares will not depend directly upon our NAV, but will depend upon the market price of the shares at the time of sale. Since the market price of our shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond our control, we cannot predict whether the shares will trade at, below or above our NAV per share.

Under the 1940 Act, we are generally not able to issue additional shares of our common stock at a price below NAV per share to purchasers other than our existing common stockholders through a rights offering without first obtaining the approval of our stockholders, our directors who have no financial interest in the transaction, and our independent directors. Additionally, at times when our common stock is trading below its NAV per share, our dividend yield may exceed the weighted average returns that we would expect to realize on new investments that would be made with the proceeds from the sale of such stock, making it unlikely that we would determine to issue additional common shares in such circumstances. Thus, for as long as our common stock may trade below NAV per share we will be subject to significant constraints on our ability to raise capital through the issuance of common stock. Additionally, an extended period of time in which we are unable to raise capital may restrict our ability to grow and adversely impact our ability to increase or maintain our distributions.

If we sell shares of our common stock at a discount to our NAV per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

At our 2018 Annual Meeting of Stockholders our stockholders approved our ability, subject to the condition that the maximum number of shares salable below NAV pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, to sell shares of our common stock at any level of discount from NAV per share for a period of 12 months. It should be noted that, theoretically, we may offer up to 25% of our then outstanding common stock each day. The issuance or sale by us of shares of our common stock at a discount to NAV poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares of common stock if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information about possible sales below NAV per share, see *Sales of Common Stock Below Net Asset Value* in this prospectus supplement and in the accompanying prospectus.

We may not be permitted to declare a dividend or make any distribution to stockholders or repurchase shares until such time as we satisfy the asset coverage tests under the provisions of the 1940 Act that apply to BDCs. As a BDC, we have the ability to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (currently) (or 150%, effective April 10, 2019, unless earlier approved by our stockholders) after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our debt at a time when such sales and/or repayments may be disadvantageous.

Regulations governing our operation as a BDC and RIC will affect our ability to raise, and the way in which we raise, additional capital or borrow for investment purposes, which may have a negative effect on our growth. As a result of the annual distribution requirement to qualify as a RIC, we may need to periodically access the capital markets to raise cash to fund new investments. We may issue senior securities representing indebtedness, including borrowing money from banks or other financial institutions, or senior securities that are stock, such as our outstanding Term Preferred Stock, only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% (currently) or 150% (effective April 10, 2019, unless earlier approved by the Company s stockholders) after each such incurrence or issuance. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act.* Further, we may not be permitted to declare a dividend or make any distribution to our outstanding stockholders or repurchase shares until such time as we satisfy this test. Our ability to issue different types of securities is also limited. Compliance with these requirements may unfavorably limit our investment opportunities and reduce our ability in comparison to other companies to profit from favorable spreads between the rates at which we can borrow and the rates at which we can lend. As a BDC, therefore, we intend to continuously issue equity at a rate more frequent than our privately owned competitors, which may lead to greater stockholder dilution. We have incurred leverage to generate capital to make additional investments. If the value of our assets declines, we may be unable to satisfy the asset coverage test under the 1940 Act, which could prohibit us from paying distributions and could prevent us from qualifying as a RIC. If we cannot satisfy the asset coverage test, we may be required to sell a portion of our investments and, depending on the nature of our debt financing, repay a portion of our indebtedness at a time when such sales and repayments may be disadvantageous.

Recently-enacted legislation allows us to incur additional leverage under the 1940 Act, distinct from certain of our obligations under our Credit Facility and our Term Preferred Stock.

Historically, as a BDC, under the 1940 Act, we are generally required to maintain asset coverage of 200% for senior securities representing indebtedness (i.e., debt) or stock (i.e., preferred stock). On March 23, 2018, President Trump signed into legislation the Consolidated Appropriations Act of 2018, also known as the omnibus spending package. Included in Title VIII therein is the Small Business Credit Availability Act that includes certain regulations under the federal securities laws impacting BDCs. Among other items, the Small Business Credit Availability Act allows a BDC to increase the amount of debt it may incur or senior securities that are stock it may issue by modifying the asset coverage percentage from 200% to 150% (subject to specific approval and disclosure requirements).

On April 10, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Director s approval, on April 10, 2019, unless earlier approved by the Company s stockholders. Under the current 200% asset coverage standard, we may borrow debt or issue senior securities in the amount of $1.00 for every $1.00 of equity in the Company. Starting from April 10, 2019, unless earlier approved by the Company s stockholders, under the 150% asset coverage standard, we may borrow debt or issue senior securities in the amount of $2.00 for every $1.00 of equity in the Company. This reduction in the

asset coverage ratio will allow us to double the amount of debt that we may incur and, therefore, your risk of an investment in us may increase. In addition, our base management fee is based on our average gross assets, which include investments made with proceeds of borrowings, and, as a result, if we were to incur additional leverage, base management fees paid to the Adviser would increase.

Notwithstanding the modified asset coverage leverage ratio under the 1940 Act described above, we currently remain subject to a minimum asset coverage requirement of 200% with respect to certain provisions of our Credit Facility and our outstanding Term Preferred Stock. If we drop below the 200% minimum asset coverage requirement, we may under certain circumstances be required to repay all outstanding indebtedness under our Credit Facility and redeem our then-outstanding Term Preferred Stock. In addition, in the event we fall below the 200% minimum asset coverage requirement, we may need to renegotiate our Credit Facility and issue additional series of term preferred stock with a lower asset coverage requirement. Such events, if they were to occur, could have a significant adverse effect on our business, financial condition, results of operations and cash flows.

If we fail to pay dividends on our Term Preferred Stock for two years, the holders of our Term Preferred Stock will be entitled to elect a majority of our directors.

The terms of our series of Term Preferred Stock provide for annual dividends of $1.6875, $1.6250, $1.5625 and $1.5938 per outstanding share of our Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and Series E Term Preferred Stock, respectively. In accordance with the terms of both of our series of Term Preferred Stock, if dividends thereon are unpaid in an amount equal to at least two years of dividends, the holders of such series of stock will be entitled to elect a majority of our Board of Directors.

Holders of our preferred stock and future holders of any securities ranking senior to our common stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock.

The shares of our series of Term Preferred Stock have dividend, distribution and liquidation rights that are senior to the rights of the holders of our common stock. Further, in the future, we may attempt to increase our capital resources by making additional offerings of preferred equity securities or issuing debt securities. Upon liquidation, holders of our Term Preferred Stock, holders of our debt securities, if any, and lenders with respect to other borrowings, including the Credit Facility, would receive a distribution of our available assets in full prior to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our common stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate to, among other things, future events or our future operating results, our business prospects and the prospects of our portfolio companies, actual and potential conflicts of interest with the Adviser and its affiliates, the use of borrowed money to finance our investments, the adequacy of our financing sources and working capital, and our ability to co-invest, among other factors. In some cases, you can identify forward-looking statements by terminology such as estimate, may, might, believe, will, provided, anticipate, future, could, growth, plan, project, intend, expect, should, would, if, likely or the negative or other variations of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include but are not limited to:

- the recurrence of adverse changes in the economy and the capital markets;
- risks associated with negotiation and consummation of pending and future transactions;
- the loss of one or more of our executive officers, in particular David Gladstone, David Dullum or Terry Lee Brubaker;
- changes in our investment objectives and strategy;
- availability, terms (including the possibility of interest rate volatility) and deployment of capital;
- changes in our industry, interest rates, exchange rates, regulation or the general economy;
- our business prospects and the prospects of our portfolio companies;
- the degree and nature of our competition;
- our ability to maintain our qualification as a RIC and as a BDC; and
- those factors described in the *Risk Factors* section of this prospectus supplement and the accompanying prospectus.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. We have based forward-looking statements on information available to us on the date of this prospectus supplement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus supplement or the accompanying prospectus, except as otherwise required by applicable law. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

USE OF PROCEEDS

Sales of our common stock, if any, under this prospectus supplement and the accompanying prospectus may be by transactions that are deemed to be part of an at the market offering as defined in Rule 415(a)(4) under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to Nasdaq in accordance with Rule 153 under the Securities Act or such other sales as may be agreed by us and the Sales Agents, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at other negotiated prices. There is no guarantee that there will be any sales of our common stock pursuant to this prospectus supplement and the accompanying prospectus. Actual sales, if any, of our common stock under this prospectus supplement and the accompanying prospectus may be less than as set forth in this paragraph depending on, among other things, the market price of our common stock at the time of any such sale. As a result, the actual net proceeds we receive may be more or less than the amount of net proceeds estimated in this prospectus supplement. However, assuming the sale of all of the $35.0 million of common stock offered under this prospectus supplement and the accompanying prospectus, we anticipate that our net proceeds from this offering will be approximately $34.1 million, after deducting the maximum estimated sales commission payable to the Sales Agents and our estimated offering expenses of $0.2 million. As of the date of this prospectus supplement, we have sold 296,236 shares of common stock and have $31.8 million remaining availability under the Sales Agreements.

We intend to use the net proceeds from this offering first to pay down outstanding debt (which may include borrowings under the Credit Facility), if any, then to make investments in accordance with our investment objectives and strategy, with any remaining proceeds to be used for other general corporate purposes. As of the date of this prospectus supplement, we had $116.0 million outstanding under the Credit Facility, as amended in August 2018, and advances under the Credit Facility generally bear interest at 30-day LIBOR plus 2.85% per annum until August 22, 2021, with the margin then increasing to 3.10% for the period from August 23, 2021 to August 22, 2022, and increasing further to 3.35% thereafter through maturity. If not renewed or extended by August 22, 2021, all principal and interest will be due and payable on or before August 22, 2023. We intend to re-borrow under our Credit Facility to make investments in portfolio companies in accordance with our investment objectives depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions.

We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of receiving proceeds from this offering. Pending such utilization, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities, and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in lower yielding interest-bearing deposits or other short-term instruments.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

We currently intend to distribute in the form of cash distributions, up to 100% of our Investment Company Taxable Income, if any, to our stockholders in the form of monthly distributions. We may retain net long-term capital gains in excess of net short-term capital losses, retain and treat them as deemed distributions for tax purposes, or may distribute such amounts as supplemental distributions. The tax characteristics of distributions are reported annually to each stockholder on IRS Form 1099-DIV. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions. At the option of a holder of record of common stock, all cash distributions with respect to shares of our common stock can be reinvested automatically under the dividend reinvestment plan. A stockholder whose shares of our common stock are held in the name of a broker or other nominee should contact the broker or nominee regarding participation in the dividend reinvestment plan on the stockholder s behalf. See *Risk Factors Risks Related to Our Regulation and Structure We will be subject to corporate-level tax if we are unable to satisfy Code requirements for RIC qualification* ; *Dividend Reinvestment Plan* ; and *Material U.S. Federal Income Tax Considerations* in the accompanying prospectus.

Common shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV per share. The possibility that our common shares may trade at such discount to our NAV per share is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common shares will trade at prices above, at or below our NAV per share, although during the past two years, our common stock has frequently traded, and at times significantly, below NAV.

COMMON SHARE PRICE DATA

Our common stock is traded on Nasdaq under the symbol GAIN. The following table reflects, by quarter, the high and low intra-day sales prices per share of our common stock on Nasdaq, the intra-day sales prices as a percentage of NAV per share and distributions declared per share of our common stock for each fiscal quarter during the last two completed fiscal years and the current fiscal year through August 28, 2018.

	NAV per Share[(1)]	Sales Price High	Sales Price Low	Distribution Declared	Premium/ (Discount) of High Sales Price to NAV per Share[(2)]	Premium/ (Discount) of Low Sales Price to NAV per Share[(2)]
Fiscal Year ended March 31, 2017						
First Quarter	$ 9.84	$ 7.24	$ 6.65	$ 0.1875	(26)%	(32)%
Second Quarter	9.65	9.30	7.16	0.1875	(4)	(26)
Third Quarter	9.82	9.15	7.16	0.1875	(7)	(27)
Fourth Quarter	9.95	9.36	8.45	0.1875	(6)	(15)
Fiscal Year ended March 31, 2018						
First Quarter	9.88	9.84	8.90	0.2520[(3)]	(0)	(10)
Second Quarter	10.10	9.84	9.04	0.1920	(3)	(10)
Third Quarter	10.37	11.50	9.48	0.2550[(3)]	11	(9)
Fourth Quarter	10.85	11.42	9.00	0.1950	5	(17)
Fiscal Year ending March 31, 2019						
First Quarter	11.57	12.26	9.81	0.2610[(3)]	6	(15)
Second Quarter (through August 28, 2018)	*	12.15	10.95	0.2010	*	*

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low intra-day sales prices. The NAVs per share shown are based on outstanding common shares at the end of each period.

(2) The premiums/(discounts) set forth in these columns represent the high or low, as applicable, intra-day sale prices per share for the relevant quarter minus the NAV per share as of the end of such quarter, and therefore may not reflect the premium/(discount) to NAV per share on the date of the high and low intra-day sales prices.

(3) Includes a supplemental distribution of $0.06 per share of common stock in each of June 2017, December 2017 and June 2018.

* Not yet available, as the NAV per share as of the end of this quarter cannot yet been finalized.

As of August 24, 2018, there were 22 record owners of our common stock.

CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data as of and for the fiscal years ended March 31, 2018, 2017, 2016, 2015 and 2014 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm. The consolidated selected financial data for the three months ended June 30, 2018 and 2017 are derived from our unaudited consolidated financial statements included in this prospectus supplement. The other unaudited data included following the table below is also unaudited. The data should be read in conjunction with our consolidated financial statements and notes thereto and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this prospectus supplement and the accompanying prospectus.

	Three Months Ended June 30,		Year Ended March 31,				
	2018	**2017**	**2018**	**2017**	**2016**	**2015**	**2014**
	(dollar amounts in thousands, except per share data)						
Statement of Operations Data:							
Total investment income	**$ 15,504**	$ 13,620	$ 58,355	$ 51,875	$ 50,955	$ 41,643	$ 36,264
Total expenses, net of credits from Adviser	**15,446**	8,185	36,395	29,453	30,239	21,746	16,957
Net investment income	**58**	5,435	21,960	22,422	20,716	19,897	19,307
Net realized and unrealized gain (loss)	**32,269**	2,706	38,727	22,341	4,138	30,317	(20,636)
Net increase (decrease) in net assets resulting from operations	**$ 32,327**	$ 8,141	$ 60,687	$ 44,763	$ 24,854	$ 50,214	$ (1,329)
Per Common Share Data:							
Net increase (decrease) in net assets resulting from operations per common share	**$ 0.99**	$ 0.26	$ 1.88	$ 1.48	$ 0.82	$ 1.88	$ (0.05)

basic and diluted(A)							
Net investment income before net gain (loss) per common share basic and diluted(A)		0.17	0.68	0.74	0.68	0.75	0.73
Cash distributions declared per common share(B)	**0.26**	0.25	0.89	0.75	0.75	0.77	0.71
Statement of Assets and Liabilities Data:							
Total assets	**$ 639,038**	$ 500,348	$ 610,899	$ 515,195	$ 506,260	$ 483,521	$ 330,694
Net assets	**379,808**	321,235	354,200	301,082	279,022	273,429	220,837
Net asset value per common share	**11.57**	9.88	10.85	9.95	9.22	9.18	8.34
Common shares outstanding	**32,822,459**	32,526,223	32,653,635	30,270,958	30,270,958	29,775,958	26,475,958
Weighted common shares outstanding basic and diluted	**32,762,848**	31,474,284	32,268,776	30,270,958	30,268,253	26,665,821	26,475,958
Senior Securities Data:							
Total borrowings, at cost(C)	**$ 107,596**	$ 39,096	$ 112,096	$ 74,796	$ 100,096	$ 123,896	$ 66,250
Mandatorily redeemable preferred stock(D)	**139,150**	139,150	139,150	139,150	121,650	81,400	40,000

(A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.

(B) The tax character of distributions is determined on an annual basis. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* elsewhere in this prospectus supplement and the accompanying prospectus.

(C) Includes borrowings under our Credit Facility and other secured borrowings, as applicable.

(D) Represents the total liquidation preference of our Term Preferred Stock.

	Three Months Ended June 30,		Year Ended March 31,				
Other Unaudited Data:	**2018**	**2017**	**2018**	**2017**	**2016**	**2015**	**2014**
	(dollar amounts in thousands, except per share data)						
Number of portfolio companies	**33**	33	33	35	36	34	29
Average size of portfolio company investment at cost	**$ 18,089**	$ 15,419	$ 17,723	$ 15,005	$ 14,392	$ 14,861	$ 13,225
Principal amount of new investments	**29,202**		59,424	54,370	69,380	108,197	132,291
Proceeds from loan repayments and investments sold	**32,062**	19,457	39,859	68,825	44,582	11,260	83,415
Weighted average yield on investments, excluding loans on non-accrual status(A)	**13.02%**	12.62%	13.06%	12.65%	12.62%	12.60%	12.61%
Weighted average yield on investments, including loans on non-accrual status(B)	**11.84**	11.75	12.35	12.44	12.33	12.12	11.65
Total return(C)	**19.19**	6.44	21.82	41.58	4.82	11.96	24.26

(A) Weighted average yield on investments, excluding loans on non-accrual status, equals interest income earned on investments divided by the weighted average interest-bearing principal balance throughout the period

(B) Weighted average yield on investments, including loans on non-accrual status, equals interest income earned on investments divided by the weighted average total principal balance throughout the period.

(C) Total return equals the change in the ending market value of our common stock from the beginning of the period, taking into account common dividends reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account common distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, refer to Note 9 *Distributions to Common Stockholders* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement and the accompanying prospectus.

SELECTED QUARTERLY FINANCIAL DATA

(UNAUDITED)

The following tables set forth certain quarterly financial data for each of the eight quarters in the two years ended March 31, 2018 and the first quarter of the fiscal year ending March 31, 2019. The data was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Year ending March 31, 2019	**Quarter Ended June 30, 2018**
Total investment income	$ 15,504
Net investment income	58
Net increase in net assets resulting from operations	32,327
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.99

	Quarter Ended			
Year ended March 31, 2018	**June 30, 2017**	**September 30, 2017**	**December 31, 2017**	**March 31, 2018**
Total investment income	$ 13,620	$ 13,132	$ 16,184	$ 15,419
Net investment income	5,435	5,750	7,531	3,244
Net increase in net assets resulting from operations	8,141	13,556	17,144	21,846
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.26	$ 0.42	$ 0.53	$ 0.67

	Quarter Ended			
Year ended March 31, 2017	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**	**March 31, 2017**
Total investment income	$ 14,393	$ 11,744	$ 13,374	$ 12,364
Net investment income	6,812	5,112	5,204	5,294
Net increase (decrease) in net assets resulting from operations	24,534	(102)	10,955	9,376
Net increase (decrease) in net assets resulting from operations per weighted average common share basic & diluted	$ 0.81	$	$ 0.36	$ 0.31

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the notes thereto contained elsewhere in this prospectus supplement and the accompanying prospectus. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition or results of operations for any future periods. Except per share amounts or unless otherwise indicated, dollar amounts in the tables included herein are in thousands.

OVERVIEW

General

We were incorporated under the General Corporation Laws of the State of Delaware on February 18, 2005. On June 22, 2005, we completed our initial public offering and commenced operations. We operate as an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. To continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements. From our initial public offering in 2005 through June 30, 2018, we have made 156 consecutive monthly distributions to common stockholders.

We are externally managed by the Adviser, an affiliate of ours and an SEC registered investment adviser, pursuant to the Advisory Agreement. We have also entered into the Administration Agreement with the Administrator, an affiliate of ours and the Adviser. Each of the Adviser and the Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer.

Additionally, 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 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. For additional information refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements*.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (U.S.). 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 our 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, generally in combination with the aforementioned debt securities, of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with individual investments generally totaling up to $30 million, although investment size may vary depending upon our total assets or available capital at the time of investment. We intend that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2018, our investment portfolio was made up of 74.2% in debt securities and 25.8% in equity securities, at cost.

We focus on investing in Lower Middle Market private businesses (which we generally define as companies with annual EBITDA of $3 million to $20 million) in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the portfolio company, reasonable capitalization of the portfolio company, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples, and the potential to realize appreciation and gain liquidity in our equity position, if any. We anticipate that liquidity in our equity position will be achieved through a merger or acquisition of the portfolio company, a public offering of the portfolio company s stock, or, to a lesser extent, by exercising our right to require the portfolio company to repurchase our warrants, though there can be no assurance that we will always have these rights. We invest in portfolio companies that need funds for growth capital or to finance acquisitions or recapitalize or, to a lesser extent, refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the SEC granted us the Co-Investment Order that expanded our ability to co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Capital and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser, or any combination of the foregoing, subject to the conditions in the Co-Investment Order. Since 2012, we have opportunistically made several co-investments with Gladstone Capital pursuant to the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

Our shares of common stock, Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and Series E Term Preferred Stock are traded on Nasdaq under the trading symbols GAIN, GAINO, GAINN GAINM and GAINL, respectively.

Business

Portfolio Activity

While the business environment remains competitive, we continue to see new investment opportunities consistent with our investment strategy of providing a combination of debt and equity in support of management and independent sponsor-led buyouts of Lower Middle Market companies in the U.S. During the three months ended June 30, 2018, we exited one portfolio company with a fair value prior to its sale of $28.1 million and invested $29.2 million in one new portfolio company, resulting in no net change in the number of companies in our portfolio, which was comprised of 33 companies as of June 30, 2018. From our initial public offering in June 2005 through June 30, 2018, we have made investments in 48 companies, excluding investments in syndicated loans, for a total of approximately $1 billion, before giving effect to principal repayments and divestitures.

The majority of the debt securities in our portfolio have a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally do not recognize success fees as income until payment has been received. Due to the contingent nature of success fees, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of any such collections. As a result, as of June 30, 2018, we had unrecognized, contractual success fees of $29.3 million, or $0.89 per common share. Consistent with GAAP, we generally have not recognized success fee receivables and related income in our *Consolidated Financial Statements* until earned.

From inception through June 30, 2018, we have completed 13 sales of portfolio companies that we acquired under our buyout strategy (which excludes investments in syndicated loans). In the aggregate, these sales have generated $99.8 million in net realized gains and $22.1 million in other income upon exit, for a total increase to our net assets of $121.9 million. We believe each of these transactions was an equity-oriented investment success and exemplifies our investment strategy of striving to achieve returns through current income on the debt portion of our investments and capital gains from the equity portion. The 13 liquidity events have offset any realized losses since inception, which were primarily incurred during the recession in connection with the sale of performing syndicated loans at a realized loss to pay off a former lender. These successful exits, in part, enabled us to increase the monthly distribution by 67.5% from March 2011 through June 30, 2018, and allowed us to declare and pay a $0.03 per common share supplemental distribution in fiscal year 2012, a $0.05 per common share supplemental distribution in November 2013, a $0.05 per common share supplemental distribution in December 2014, and a $0.06 per common share supplemental distribution in each of June 2017, December 2017, and June 2018.

Capital Raising Efforts

We have been able to meet our capital needs through extensions of and increases to the Credit Facility, and by accessing the capital markets in the form of public offerings of common and preferred stock. We have successfully extended the Credit Facility s revolving period multiple times, most recently to November 2019, and currently have a total commitment amount of $165.0 million (with a potential total commitment of $250.0 million through additional commitments of new or existing lenders). During the three months ended June 30, 2018, we sold 168,824 shares of our common stock under our at-the-market program for gross proceeds of approximately $1.9 million. During the year ended March 31, 2018, we sold 127,412 shares of our common stock under our at-the-market program for gross proceeds of approximately $1.3 million. Additionally, we issued approximately 2.3 million shares of common stock for gross proceeds of $21.2 million in May 2017, inclusive of the June 2017 over-allotment. Refer to *Liquidity and Capital Resources Revolving Line of Credit* for further discussion of the Credit Facility, *Liquidity and Capital Resources Equity Common Stock* and *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our common stock and mandatorily redeemable preferred stock. See *Prospectus Supplement Summary Recent Developments* of this prospectus supplement for a discussion of our recent capital raising activities completed subsequent to the quarter ended June 30, 2018.

Although we have been able to access the capital markets historically, market conditions may continue to affect the trading price of our common stock and thus our ability to finance new investments through the issuance of common equity. On July 31, 2018, the closing market price of our common stock was $11.30 per share, representing a 2.3% discount to our NAV of $11.57 per share as of June 30, 2018. When our common stock trades below NAV, our ability to issue additional equity is constrained by provisions of the 1940 Act, which generally prohibits the issuance and sale of our common stock at an issuance price below the then-current NAV per share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering.

At our 2017 Annual Meeting of Stockholders held on August 24, 2017, our stockholders approved a proposal authorizing us to issue and sell shares of our common stock at a price below our then-current NAV per share, subject to certain limitations, including that the number of common shares issued and sold pursuant to such authority does not exceed 25.0% of our then-outstanding common stock immediately prior to each such sale, provided that our board of directors (Board of Directors) makes certain determinations prior to any such sale. At our 2018 Annual Meeting of Stockholders held on August 2, 2018, our stockholders voted to approve a similar proposal, which is effective for one year from such date of approval. We sought and obtained stockholder approval concerning similar proposals at each Annual Meeting of Stockholders since 2008, and with our Board of Directors subsequent approval, we issued shares of our common stock in three offerings at a price below the then-current NAV per share, once in May 2017, once in March 2015, and once in October 2012. Certain sales of common stock under the at-the-market program in March and April 2018 were also below the then-current estimated NAV per share. The resulting proceeds, in part, have allowed us to (i) grow our portfolio by making new investments, (ii) generate additional income through these new investments, (iii) ensure continued compliance with regulatory tests and (iv) increase our debt capital while still complying with our applicable debt-to-equity ratios. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our common stock.

Regulatory Compliance

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have asset coverage (as defined in Sections 18 and 61 of the 1940 Act, as amended), of at least 200% (currently) (or 150.0%, effective April 10, 2019, unless earlier approved by our stockholders) on each of our senior securities representing indebtedness and our senior securities that are stock (such as our Term Preferred Stock).

On April 10, 2018, our Board of Directors, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Directors approval, or April 10, 2019. Under the current 200% asset coverage standard, we may borrow debt or issue senior securities that are stock in the amount of $1.00 for every $1.00 of equity in the Company. Starting from April 10, 2019, under the 150% asset coverage standard, we may borrow debt or issue senior securities that are stock in the amount of $2.00 for every $1.00 of equity in the Company. Notwithstanding the modified asset coverage requirement under the 1940 Act, as amended, described above, we are separately subject to a minimum asset coverage requirement of 200% with respect to certain provisions of our Credit Facility and our outstanding Term Preferred Stock.

As of June 30, 2018, our asset coverage on our senior securities representing indebtedness was 566.8% and our asset coverage on our senior securities that are stock was 250.2%.

Investment Highlights

During the three months ended June 30, 2018, and inclusive of non-cash transactions, we invested $29.2 million in one new portfolio company, received $32.1 million in proceeds from repayments and sales, and extended $0.9 million of follow-on investments to existing portfolio companies through revolver draws and term loans.

Investment Activity

During the three months ended June 30, 2018, the following significant transactions occurred:

- In April 2018, we invested $29.2 million in Bassett Creek Restoration, Inc. (d/b/a J.R. Johnson, LLC) (Bassett Creek) through a combination of secured first lien debt and preferred equity. Bassett Creek, headquartered in Portland, Oregon, is a leading provider of commercial restoration and renovation services to the Oregon and Southwest Washington region.

- In June 2018, we sold our investment in Drew Foam Companies, Inc. (Drew Foam), which resulted in dividend and success fee income of $0.2 million and a realized gain of $13.8 million. In connection with the sale, we received net cash proceeds of $27.3 million, including the repayment of our debt investment of $9.9 million at par.

The following significant investment activity occurred subsequent to June 30, 2018. Also refer to Note 13 *Subsequent Events* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement.

In July 2018, we exited our investment in NDLI, Inc. and recorded a realized loss of $3.6 million.

Recent Developments

Registration Statement

On June 5, 2018, we filed a registration statement on Form N-2 (File No. 333-225447), which the SEC declared effective on July 13, 2018. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities, and warrants to purchase common stock, preferred stock, or debt securities, including through concurrent, separate offerings of such securities. As of July 31, 2018, we had the ability to issue up to $300.0 million in securities under the registration statement.

At-the-Market Program

In February 2018, we entered into sales agreements (commonly referred to as at-the-market (ATM) programs) with Cantor Fitzgerald & Co. (Cantor), Ladenburg Thalmann & Co., Inc., and Wedbush Securities Inc. (each a Sales Agent), under which we have the ability to issue and sell shares of our common stock, from time to time, through the Sales Agents, up to an aggregate offering price of $35.0 million. Pursuant to our prior registration statement on Form N-2 (File No. 333-204996), during the three months ended June 30, 2018, we sold 168,824 shares of our common stock under the ATM program with Cantor at a weighted-average gross price of $11.09 per share and raised approximately $1.9 million of gross proceeds. The weighted-average net price per share, after deducting commissions and offering costs borne by us, was $10.87 and resulted in total net proceeds of approximately $1.8 million. Certain of these sales were below our then-current estimated NAV per share during the sales period, with a discount of $0.002 per share, when comparing the sales price per share, after deducting commissions, to the then-current estimated NAV per share; however, the net dilutive effect (after commissions and offering costs borne by us) of these sales was $0.00 per common share as a result of the small number of shares sold at a slight discount to NAV per share and resulting rounding. In aggregate, the sales during the three months ended June 30, 2018 were above our then-current estimated NAV per share. As of June 30, 2018, we had remaining capacity to sell up to $31.8 million of common stock under the ATM program pursuant to this prospectus supplement and the accompanying prospectus.

Distributions and Dividends

In July 2018, our Board of Directors declared the following monthly distributions to common stockholders and monthly dividends to holders of our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock:

Record Date	Payment Date	Distribution per Common Share	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
July 20, 2018	July 31, 2018	$ 0.067	$ 0.140625	$ 0.135417	$ 0.13020833
August 21, 2018	August 31, 2018	0.067	0.140625	0.135417	0.13020833
September 19, 2018	September 28, 2018	0.067	0.140625	0.135417	0.13020833
	Total for the Quarter:	**$ 0.201**	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2018 to the Three Months Ended June 30, 2017

	For the Three Months Ended June 30,			
	2018	2017	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 13,314**	$ 10,746	$ 2,568	23.9%
Dividend, success fee, and other income	**2,190**	2,874	(684)	(23.8)
Total investment income	**15,504**	13,620	1,884	13.8
EXPENSES				
Base management fee	**3,111**	2,516	595	23.6
Loan servicing fee	**1,740**	1,564	176	11.3
Incentive fee	**7,586**	1,172	6,414	547.3
Administration fee	**285**	307	(22)	(7.2)
Interest and dividend expense	**3,993**	2,980	1,013	34.0
Amortization of deferred financing costs and discounts	**367**	367		
Other	**1,064**	1,391	(327)	(23.5)
Expenses before credits from Adviser	**18,146**	10,297	7,849	76.2
Credits to fees from Adviser	**(2,700)**	(2,112)	(588)	27.8
Total expenses, net of credits to fees	**15,446**	8,185	7,261	88.7
NET INVESTMENT INCOME	**58**	5,435	(5,377)	(98.9)
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain on investments	**14,108**	1,165	12,943	1,111.0
Net unrealized appreciation of investments	**18,068**	1,541	16,527	1,072.5
Net unrealized depreciation of other	**93**		93	NM
Net realized and unrealized gain	**32,269**	2,706	29,563	1,092.5
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 32,327**	$ 8,141	$ 24,186	297.1
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$**	$ 0.17	$ (0.17)	(100.0)%
Net increase in net assets resulting from operations	**$ 0.99**	$ 0.26	$ 0.73	280.8

NM = Not Meaningful

Investment Income

Total investment income increased by 13.8% for the three months ended June 30, 2018, as compared to the prior year period. This increase was primarily due to an increase in interest income, partially offset by a decline in dividend, success fee, and other income, for the three months ended June 30, 2018, as compared to the prior year period.

Interest income from our investments in debt securities increased 23.9% for the three months ended June 30, 2018, as compared to the prior year period. Generally, the level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted-average yield. The weighted-average principal balance of our interest-bearing investment portfolio during the three months ended June 30, 2018 was $409.9 million, compared to $340.5 million for the prior year period. This increase was primarily due to $71.4 million in new debt investments and

$59.4 million in follow-on debt investments to existing portfolio companies originated after June 30, 2017 and $25.2 million of loans placed back on accrual status, partially offset by the pay-off or restructure of $57.7 million of debt investments and $55.1 million of loans placed on non-accrual status, and their respective impact on the weighted-average principal balance when considering timing of new investments, pay-offs, restructures, and non-accruals, as applicable. The weighted-average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as dividend, success fee, and other income, was 13.0% for the three months ended June 30, 2018, compared to 12.6% for the prior year period. The weighted-average yield may vary from period to period, based on the current stated interest rate on interest-bearing investments.

At June 30, 2018, certain of our loans to three portfolio companies, B-Dry, LLC, The Mountain Corporation, and PSI Molded Plastics, Inc., were on non-accrual status, with an aggregate debt cost basis of $55.1 million. At June 30, 2017, certain of our loans to three portfolio companies, Alloy Die Casting Co., Precision Southeast, Inc., and Tread Corporation, were on non-accrual status, with an aggregate debt cost basis of $25.2 million.

Dividend, success fee, and other income for the three months ended June 30, 2018 decreased 23.8% from the prior year period. During the three months ended June 30, 2018, dividend, success fee, and other income primarily consisted of $2.1 million of success fee income and $0.1 million of dividend income. During the three months ended June 30, 2017, dividend, success fee, and other income primarily consisted of $2.0 million of success fee income and $0.9 million of dividend income.

The following table lists the investment income for our five largest portfolio company investments, at fair value, during the respective periods:

	As of June 30, 2018		Three months ended June 30, 2018	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Cambridge Sound Management, Inc.	$ 54,732	8.7%	$ 526	3.4%
Nth Degree, Inc.	44,306	7.0	451	2.9
Brunswick Bowling Products, Inc.	38,250	6.1	537	3.5
J.R. Hobbs Co. Atlanta, LLC	36,031	5.7	713	4.6
ImageWorks Display and Marketing Group, Inc.	31,410	5.0	723	4.6
Subtotal five largest investments	**204,729**	**32.5**	**2,950**	**19.0**
Other portfolio companies	424,589	67.5	12,544	81.0
Total investment portfolio	**$ 629,318**	**100.0%**	**$ 15,494**	**100.0%**

	As of June 30, 2017		Three months ended June 30, 2017	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment**

				Income
Cambridge Sound Management, Inc.	$ 33,233	6.8%	$ 526	3.9%
J.R. Hobbs Co. Atlanta, LLC	31,305	6.4	787	5.8
Nth Degree, Inc.	29,560	6.1	421	3.1
Counsel Press, Inc.	28,434	5.8	778	5.7
Old World Christmas, Inc.	26,830	5.5	528	3.9
Subtotal five largest investments	**149,362**	**30.6**	**3,040**	**22.4**
Other portfolio companies	337,408	69.4	10,578	77.6
Total investment portfolio	**$ 486,770**	**100.0%**	**$ 13,618**	**100.0%**

Expenses

Total expenses, net of any non-contractual, unconditional, and irrevocable credits from the Adviser, increased 88.7% during the three months ended June 30, 2018, as compared to the prior year period, primarily as a result of an increase in the capital gains-based incentive fee, interest expense, and the base management fee, partially offset by an increase in non-contractual, unconditional, and irrevocable credits from the Adviser.

In accordance with GAAP, we recorded a capital gains-based incentive fee of $6.5 million during the three months ended June 30, 2018, which is not yet contractually due. There was no capital gains-based incentive fee during the prior year period.

The base management fee increased for the three months ended June 30, 2018, as compared to the prior year period, as average total assets increased over the respective periods as a result of an increase in investments.

The base management fee, loan servicing fee, incentive fee, and their related non-contractual, unconditional, and irrevocable credits are computed quarterly, as described under *Transactions with the Adviser* in Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended June 30,	
	2018	**2017**
Average total assets subject to base management fee[A]	**$ 622,200**	$ 503,200
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee[B]	**3,111**	2,516
Credits to fees from Adviser other[B]	**(960)**	(548)
Net base management fee	**$ 2,151**	$ 1,968
Loan servicing fee[B]	**$ 1,740**	$ 1,564
Credits to base management fee loan servicing fee[B]	**(1,740)**	(1,564)
Net loan servicing fee	**$**	$
Incentive fee income-based	**$ 1,078**	$ 1,172
Incentive fee capital gains-based[C]	**6,508**	
Total incentive fee[B]	**7,586**	1,172
Credits to fees from Adviser other[B]		
Net total incentive fee	**$ 7,586**	$ 1,172

(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.

Interest and dividend expense increased 34.0% during the three months ended June 30, 2018, as compared to the prior year period, due to a higher weighted-average balance outstanding on the Credit Facility, partially offset by a lower effective interest rate. The weighted-average balance outstanding on the Credit Facility during the three months ended June 30, 2018 was $123.3 million, as compared to $42.1 million in the prior year period. The effective interest rate on the Credit Facility, excluding the impact of deferred financing costs, during the three months ended June 30, 2018 was 5.4%, as compared to 6.1% in the prior year period.

Realized and Unrealized Gain (Loss)

Net Realized Gain on Investments

During the three months ended June 30, 2018, we recorded net realized gains on investments of $14.1 million, primarily related to a $13.8 million realized gain from the exit of Drew Foam, as compared to net realized gains on investments of $1.2 million during the prior year period, primarily related to a $1.0 million realized gain from the exit of Mitchell Rubber Products, Inc.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended June 30, 2018, we recorded net unrealized appreciation of investments of $18.1 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2018, were as follows:

	Three Months Ended June 30, 2018			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Cambridge Sound Management, Inc.	$	$ 12,554	$	$ 12,554
Nth Degree, Inc.		4,592		4,592
Brunswick Bowling Products, Inc.		3,935		3,935
Galaxy Tool Holding Corporation		3,238		3,238
Edge Adhesives Holdings, Inc.		2,327		2,327
Schylling, Inc.		2,080		2,080
Alloy Die Casting Co.		1,995		1,995
Pioneer Square Brands, Inc.		1,809		1,809
Star Seed, Inc.		1,650		1,650
Counsel Press, Inc.		1,396		1,396
Tread Corporation		1,215		1,215
Jackrabbit, Inc.		886		886
D.P.M.S., Inc.		816		816
Logo Sportswear, Inc.		697		697
Old World Christmas, Inc.		565		565
J.R. Hobbs Co. Atlanta, LLC		551		551
Funko Acquisition Holdings, LLC		518		518
Behrens Manufacturing, LLC	322			322
Ginsey Home Solutions, Inc.		289		289
Country Club Enterprises, LLC		(223)		(223)
Diligent Delivery Systems		(437)		(437)
B-Dry, LLC		(837)		(837)
Drew Foam Companies, Inc.	13,786		(14,755)	(969)
Meridian Rack & Pinion, Inc.		(1,092)		(1,092)

The Mountain Corporation		(2,559)		(2,559)
PSI Molded Plastics, Inc.		(3,016)		(3,016)
Other, net (<$250 Net)		(126)		(126)
Total	**$ 14,108**	**$ 32,823**	**$ (14,755)**	**$ 32,176**

The primary drivers of net unrealized appreciation of $18.1 million for the three months ended June 30, 2018, were increased performance of certain of our portfolio companies and an increase in comparable multiples used to estimate the fair value of certain of our portfolio companies, which were partially offset by the reversal of previously recorded unrealized appreciation upon the exit of our investment in Drew Foam and a decline in performance of certain of our other portfolio companies.

During the three months ended June 30, 2017, we recorded net unrealized appreciation of investments of $1.5 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2017, were as follows:

	Three Months Ended June 30, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Cambridge Sound Management, Inc.	$	$ 6,187	$	$ 6,187
Old World Christmas, Inc.		3,926		3,926
Nth Degree, Inc.		3,799		3,799
B+T Group Acquisition, Inc.		3,205		3,205
Mathey Investments, Inc.			2,658	2,658
Precision Southeast, Inc.		1,627		1,627
SBS Industries, LLC		1,466		1,466
Tread Corporation		1,199		1,199
Logo Sportswear, Inc.		867		867
Star Seed, Inc.		764		764
Frontier Packaging, Inc.		738		738
J.R. Hobbs Co. Atlanta, LLC		435		435
Drew Foam Company, Inc.		370		370
Diligent Delivery Systems		314		314
Ginsey Home Solutions, Inc.		(185)		(185)
Schylling, Inc.		(262)		(262)
D.P.M.S., Inc.		(304)		(304)
B-Dry, LLC		(434)		(434)
SOG Specialty Knives & Tools, LLC		(711)		(711)
Counsel Press, Inc.		(1,183)		(1,183)
Jackrabbit, Inc.		(1,258)		(1,258)
Head Country, Inc.		(1,498)		(1,498)
Alloy Die Casting Co.		(1,540)		(1,540)
Mitchell Rubber Products, Inc.	957		(2,783)	(1,826)
GI Plastek, Inc.		(1,851)		(1,851)
Meridian Rack & Pinion, Inc.		(1,902)		(1,902)
Edge Adhesives Holdings, Inc.		(2,207)		(2,207)
Galaxy Tool Holding Corporation		(2,625)		(2,625)
Country Club Enterprises, LLC		(3,219)		(3,219)
Brunswick Bowling Products, Inc.		(3,747)		(3,747)
Other, net (<$250 Net)	208	(284)	(21)	(97)
Total	**$ 1,165**	**$ 1,687**	**$ (146)**	**$ 2,706**

The primary drivers of net unrealized appreciation of $1.5 million for the three months ended June 30, 2017, were increased performance of certain of our portfolio companies and an increase in comparable multiples used to estimate the fair value of certain of our portfolio companies, which were partially offset by a decline in performance of certain of our other portfolio companies.

Across our entire investment portfolio, we recorded $0.5 million of net unrealized depreciation on our debt positions and $18.6 million of net unrealized appreciation on our equity positions for the three months ended June 30, 2018. At June 30, 2018, the fair value of our investment portfolio was greater than our cost basis by $32.4 million, as compared to $14.3 million at March 31, 2018, representing net unrealized appreciation of $18.1 million for the three months ended June 30, 2018. Our entire portfolio had a fair value of 105.4% of cost as of June 30, 2018.

Net Unrealized Depreciation on Other

During the three months ended June 30, 2018, we recorded net unrealized depreciation of other of $0.1 million related to the Credit Facility recorded at fair value. There was no unrealized appreciation or depreciation on other during the three months ended June 30, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities for the three months ended June 30, 2018 was $10.7 million, as compared to $26.3 million for the three months ended June 30, 2017. This change was primarily due to an increase in the purchase of investments, partially offset by higher repayments and net proceeds from the sale of investments period over period.

Purchases of investments were $30.1 million during the three months ended June 30, 2018, compared to $2.1 million during the three months ended June 30, 2017. Repayments and net proceeds from the sale of investments totaled $32.1 million during the three months ended June 30, 2018, compared to $19.5 million during the three months ended June 30, 2017.

As of June 30, 2018, we had equity investments in or loans to 33 portfolio companies with an aggregate cost basis of $596.9 million. As of June 30, 2017, we had equity investments in or loans to 33 portfolio companies with an aggregate cost basis of $508.8 million. The following table summarizes our total portfolio investment activity during the three months ended June 30, 2018 and 2017:

	Three Months Ended June 30,	
	2018	**2017**
Beginning investment portfolio, at fair value	**$ 599,147**	$ 501,579
New investments	**29,202**	
Disbursements to existing portfolio companies	**850**	2,148
Unscheduled principal repayments	**(14,514)**	(13,660)
Net proceeds from sales of investments	**(17,226)**	(5,797)
Net realized gain on investments	**13,786**	957
Net unrealized appreciation of investments	**32,823**	1,687
Reversal of net unrealized appreciation of investments	**(14,755)**	(146)
Amortization of premiums, discounts, and acquisition costs, net	**5**	2
Ending investment portfolio, at fair value	**$ 629,318**	$ 486,770

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2018:

		Amount
For the remaining nine months ending March 31:	2019	$ 63,881
For the fiscal years ending March 31:	2020	102,913
	2021	60,410
	2022	80,696
	2023	86,990
	Thereafter	47,618
	Total contractual repayments	**$ 442,508**
	Adjustments to cost basis of debt investments	(80)
	Investments in equity securities	154,521
	Total cost basis of investments held as of June 30, 2018:	**$ 596,949**

Financing Activities

Net cash used in financing activities for the three months ended June 30, 2018 was $11.3 million, which consisted primarily of $4.5 million of net repayments on the Credit Facility and $8.6 million in distributions to common stockholders, partially offset by $1.8 million of net proceeds from the issuance of common stock under the ATM program.

Net cash used in financing activities for the three months ended June 30, 2017 was $23.7 million, which consisted primarily of $35.7 million of net repayments on the Credit Facility and $8.0 million in distributions to common stockholders, partially offset by $20.1 million of net proceeds from the issuance of common stock in May 2017, including the partial exercise of the underwriters over-allotment option in June 2017.

Distributions and Dividends to Stockholders

Common Stock Distributions

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90% of our taxable ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (Investment Company Taxable Income). Additionally, the Credit Facility generally restricts the amount of distributions to stockholders that we can pay out to be no greater than the sum of certain amounts, including, but not limited to, our net investment income, plus net capital gains, plus amounts elected by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. In accordance with these requirements, our Board of Directors declared, and we paid, monthly cash distributions of $0.067 per common share for each of the three months from April through June 2018 and a supplemental distribution of $0.06 per common share for June 2018.

The federal income tax characteristics of distributions paid to our common stockholders is generally reported to stockholders on Internal Revenue Service Form 1099 after the end of the calendar year based on tax information for the full fiscal year. Any characterization made on an interim, quarterly basis may not be representative of the actual tax characterization for the full year.

For the year ended March 31, 2018, distributions to common stockholders totaled $28.9 million and were less than our taxable income for the same year, after also taking into account spillover amounts under Section 855(a) of the Code with respect to the prior year. At March 31, 2018, we elected to treat $8.4 million of the first distributions paid after fiscal year-end as having been paid in the prior fiscal year, in accordance with Section 855(a) of the Code. In addition, for the year ended March 31, 2018, we recorded $1.6 million of net estimated adjustments for permanent book-tax differences to reflect tax character, which decreased Capital in excess of par value and Accumulated net realized gain in excess of distributions and increased Net investment income in excess of distributions on our accompanying *Consolidated Statements of Assets and Liabilities*. For the three months ended June 30, 2018, we recorded $0.7 million of net estimated adjustments for permanent book-tax differences to reflect tax character, which decreased Capital in excess of par value and Accumulated net realized gain in excess of distributions and increased Overdistributed net investment income on our accompanying *Consolidated Statements of Assets and Liabilities*.

Preferred Stock Dividends

Our Board of Directors declared and we paid monthly cash dividends of (i) $0.140625 per share to holders of our Series B Term Preferred Stock, (ii) $0.135417 per share to holders of our Series C Term Preferred Stock, and (iii) $0.13020833 per share to holders of our Series D Term Preferred Stock for each of the three months from April through June 2018. In accordance with GAAP, we treat these monthly dividends as an operating expense. The federal income tax characteristics of dividends paid to our preferred stockholders generally constitute ordinary income or capital gains to the extent of our current and accumulated earnings and profits and is reported after the end of the calendar year based on tax information for the full fiscal year. Such a characterization made on an interim, quarterly basis may not be representative of the actual tax characterization for the full year.

Dividend Reinvestment Plan

Our common stockholders who hold their shares through our transfer agent, Computershare, Inc. (Computershare), have the option to participate in a dividend reinvestment plan offered by Computershare, as the plan agent. This is an opt in dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares of our common stock. Common stockholders who do not make such election will receive their distributions in cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. The common stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the date on which the shares are credited to the common stockholder s account. Computershare purchases shares in the open market in connection with the obligations under the plan. The Computershare dividend reinvestment plan is not open to holders of our preferred stock.

Equity

Registration Statement

On June 5, 2018, we filed a registration statement on Form N-2 (File No. 333-225447), which the SEC declared effective on July 13, 2018. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities, and warrants to purchase common stock, preferred stock, or debt securities, including through concurrent, separate offerings of such securities. As of July 31, 2018, we had the ability to issue up to $300.0 million in securities under the registration statement.

Common Stock

In February 2018, we entered into equity distribution agreements with Sales Agents, under which we have the ability to issue and sell shares of our common stock, from time to time, through the Sales Agents, up to an aggregate offering price of $35.0 million. Pursuant to our prior registration statement on Form N-2 (File No. 333-204996), during the three months ended June 30, 2018, we sold 168,824 shares of our common stock under the ATM program with Cantor at a weighted-average gross price of $11.09 per share and raised approximately $1.9 million of gross proceeds. The weighted-average net price per share, after deducting commissions and offering costs borne by us, was $10.87 and resulted in total net proceeds of approximately $1.8 million. Certain of these sales were below our then-current estimated NAV per share during the sales period, with a discount of $0.002 per share, when comparing the sales price per share, after deducting commissions, to the then-current estimated NAV per share; however, the net dilutive effect (after commissions and offering costs borne by us) of these sales was $0.00 per common share as a result of the small number of shares sold at a slight discount to NAV per share and resulting rounding. In aggregate, the sales during the three months ended June 30, 2018 were above our then-current estimated NAV per share. As of July 31, 2018, we had remaining capacity to sell up to $31.8 million of common stock under the ATM program.

Pursuant to our prior registration statement on Form N-2 (File No. 333-204996), in March 2018, we sold 127,412 shares of our common stock under the ATM program with Cantor at a weighted-average gross price of $10.45 per share and raised approximately $1.3 million of gross proceeds. The weighted-average net price per share, after deducting commissions and offering costs borne by us, was $10.24 and resulted in total net proceeds of approximately $1.3 million. These sales were below our then-current estimated NAV per share during the sales period, with such discounts ranging from $0.01 per share to $0.07 per share, when comparing the sales price per share, after deducting commissions, to the then-current estimated NAV per share; however, the net dilutive effect (after commissions and offering costs borne by us) of these sales was $0.00 per common share as a result of the small number of shares sold at a slight discount to NAV per share and resulting rounding.

Also pursuant to our prior registration statement on Form N-2 (File No. 333-204996), in May 2017, we completed a public offering of 2.1 million shares of our common stock at a public offering price of $9.38 per share, which was below our then-current NAV of $9.95 per share. Gross proceeds totaled $19.7 million and net proceeds, after deducting underwriting discounts and commissions and offering costs borne by us, were $18.7 million, which were used to repay borrowings under the Credit Facility and for other general corporate purposes. In June 2017, the underwriters partially exercised their over-allotment option and purchased an additional 155,265 shares at the public offering price of $9.38 per share and on the same terms and conditions solely to cover over-allotments, which resulted in gross proceeds of $1.5 million and net proceeds, after deducting underwriting discounts and commissions and offering costs borne by us, of $1.4 million.

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the timing or terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. When our common stock is trading at a price below NAV per share, the 1940 Act places regulatory constraints on our ability to obtain additional capital by issuing common stock. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our NAV per common share, other than to our then-existing common stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors and meeting other stated requirements. On July 31, 2018, the closing market price of our common stock was $11.30 per share, representing a 2.3% discount to our NAV per share of $11.57 as of June 30, 2018. At our 2017 Annual Meeting of Stockholders held on August 24, 2017, our stockholders approved a proposal authorizing us to issue and sell shares of our common stock at a price below our then-current NAV per common share for a period of one year from the date of such approval, provided that our Board of Directors makes certain determinations prior to any such sale. At our 2018 Annual Meeting of Stockholders held on August 2, 2018, our stockholders voted to approve a similar proposal, which is effective for one year from such date of approval.

Term Preferred Stock

Pursuant to an earlier registration statement on Form N-2 (Registration No. 333-181879), in November 2014, we completed a public offering of 1,656,000 shares of our Series B Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $41.4 million and net proceeds, after deducting underwriting

discounts and offering costs borne by us, were $39.7 million. Total underwriting discounts and offering costs related to this offering were $1.7 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending December 31, 2021, the mandatory redemption date.

Our Series B Term Preferred Stock is not convertible into our common stock or any other security. Our Series B Term Preferred Stock provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates to $2.8 million per year). We are required to redeem all shares of our outstanding Series B Term Preferred Stock on December 31, 2021, for cash at a redemption price equal to $25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series B Term Preferred Stock, and (2) if we fail to maintain asset coverage of at least 200%, we are required to redeem a portion of our outstanding Series B Term Preferred Stock or otherwise cure the asset coverage redemption trigger (and we may also redeem additional securities to cause the asset coverage to be 215%). We may also voluntarily redeem all or a portion of our Series B Term Preferred Stock at our sole option at the redemption price at any time.

Also, pursuant to an earlier registration statement on Form N-2 (Registration No. 333-181879), in May 2015, we completed a public offering of 1,610,000 shares of our Series C Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $40.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $38.6 million. Total underwriting discounts and offering costs related to this offering were $1.6 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending May 31, 2022, the mandatory redemption date.

Our Series C Term Preferred Stock is not convertible into our common stock or any other security. Our Series C Term Preferred Stock provides for a fixed dividend equal to 6.50% per year, payable monthly (which equates to $2.6 million per year). We are required to redeem all shares of our outstanding Series C Term Preferred Stock on May 31, 2022, for cash at a redemption price equal to $25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series C Term Preferred Stock, and (2) if we fail to maintain asset coverage of at least 200%, we are required to redeem a portion of our outstanding Series C Term Preferred Stock or otherwise cure the asset coverage redemption trigger (and we may also redeem additional securities to cause the asset coverage to be 215%). We may also voluntarily redeem all or a portion of our Series C Term Preferred Stock at our sole option at the redemption price at any time.

Pursuant to our prior registration statement on Form N-2 (Registration No. 333-204996), in September 2016, we completed a public offering of 2,300,000 shares of our Series D Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $57.5 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $55.4 million. Total underwriting discounts and offering costs related to this offering were $2.1 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending September 30, 2023, the mandatory redemption date.

Our Series D Term Preferred Stock is not convertible into our common stock or any other security. Our Series D Term Preferred Stock provides for a fixed dividend equal to 6.25% per year, payable monthly (which equates to $3.6 million per year). We are required to redeem all shares of our outstanding Series D Term Preferred Stock on September 30, 2023, for cash at a redemption price equal to $25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series D Term Preferred Stock, and (2) if we fail to maintain asset coverage of at least 200% and are unable to correct such failure within a specific amount of time, we are required to redeem a portion of our outstanding Series D Term Preferred Stock or otherwise cure the asset coverage redemption trigger (and we may also redeem additional securities to cause the asset coverage to be 240%). We may also voluntarily redeem all or a portion of our Series D Term Preferred Stock at our sole option at the redemption price at any time on or after September 30, 2018.

Each series of our mandatorily redeemable preferred stock has a preference over our common stock with respect to dividends, whereby no distributions are payable on our common stock unless the stated dividends, including any accrued and unpaid dividends, on the mandatorily redeemable preferred stock have been paid in full. The Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock are considered liabilities in accordance with GAAP and, as such, affect our asset coverage, exposing us to additional leverage risks. The asset coverage on our senior securities that are stock (our Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock) as of June 30, 2018 was 250.2%, calculated pursuant to Sections 18 and 61 of the 1940 Act. See *Prospectus Supplement Summary Recent Developments* of this prospectus supplement for a discussion of our recent capital raising activities completed subsequent to the quarter ended June 30, 2018.

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, 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 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%. We incurred fees of approximately $1.4 million in connection with this amendment.

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. See *Prospectus Supplement Summary Recent Developments* of this prospectus supplement for a discussion of the latest amendment to the Credit Facility entered into subsequent to the quarter ended June 30, 2018.

Interest is payable monthly during the term of the Credit Facility. Available borrowings are subject to various constraints and applicable advance rates, which are generally based on the size, characteristics, and quality of the collateral pledged by Business Investment. The Credit Facility also requires that any interest and principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once a month.

Among other things, the Credit Facility contains covenants that require Business Investment to maintain its status as a separate legal entity, prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict certain material changes to our credit and collection policies without the

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lenders consent. The Credit Facility also generally seeks to restrict distributions to stockholders to the sum of (i) our net investment income, (ii) net capital gains, and (iii) amounts deemed by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. Loans eligible to be pledged as collateral are subject to certain limitations, including, among other things, restrictions on geographic concentrations, industry concentrations, loan size, payment frequency and status, average life, portfolio company leverage, and lien property. The Credit Facility also requires Business Investment to comply with other financial and operational covenants, which obligate Business Investment to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of obligors required in the borrowing base. Additionally, the Credit Facility contains a performance guaranty that requires the Company to maintain (i) a minimum net worth (defined in the Credit Facility to include our mandatory redeemable term preferred stock) of the greater of $210.0 million or $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 $222.2 million as of June 30, 2018, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200% (or such higher percentage as may be set forth in Section 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 June 30, 2018, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $514.7 million, asset coverage on our senior securities representing indebtedness of 566.8%, 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 June 30, 2018, we had availability, after adjustments for various constraints based on collateral quality, of $59.5 million under the Credit Facility and were in compliance with all covenants under the Credit Facility. As of July 31, 2018, we had availability, before adjustments for various constraints based on collateral quality, of $62.0 million under the Credit Facility.

OFF-BALANCE SHEET ARRANGEMENTS

Unlike PIK income, we generally do not recognize success fees as income until payment has been received. Due to the contingent nature of success fees, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of any such collections. As a result, as of June 30, 2018 and March 31, 2018, we had unrecognized, contractual off-balance sheet success fee receivables of $29.3 million and $28.3 million (or approximately $0.89 and $0.87 per common share), respectively, on our debt investments. Consistent with GAAP, we generally have not recognized success fee receivables and related income in our *Consolidated Financial Statements* until earned.

CONTRACTUAL OBLIGATIONS

We have line of credit and delayed draw term loan commitments to certain of our portfolio companies that have not been fully drawn. Since these line of credit and delayed draw term loan commitments have expiration dates and we expect many will never be fully drawn, the total line of credit and delayed draw term loan commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused line of credit and delayed draw term loan commitments as of June 30, 2018 to be immaterial.

We have also extended a guaranty on behalf of one of our portfolio companies, whereby we have guaranteed $2.0 million of obligations of Country Club Enterprises, LLC. The guaranty expires in February 2019, unless renewed. As of June 30, 2018, we have not been required to make payments on this or any previous guaranties, and we consider the credit risks to be remote and the fair value of this guaranty to be immaterial.

The following table shows our contractual obligations as of June 30, 2018, at cost:

		Payments Due by Period			
Contractual Obligations[A]	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Credit Facility[B]	$ 102,500	$	$	$ 102,500	$
Mandatorily redeemable preferred stock	139,150			81,650	57,500
Secured borrowing	5,096		5,096		
Interest payments on obligations[C]	59,287	15,129	30,098	13,162	898
Total	**$ 306,033**	**$ 15,129**	**$ 35,194**	**$ 197,312**	**$ 58,398**

(A) Excludes unused line of credit and delayed draw term loan commitments and guaranties to our portfolio companies in the aggregate principal amount of $6.2 million.

(B) Principal balance of borrowings outstanding under the Credit Facility, based on the maturity date following the current contractual revolving period end date.

(C) Includes interest payments due on the Credit Facility and secured borrowing and dividend obligations on each series of our mandatorily redeemable preferred stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of June 30, 2018. Dividend obligations on our mandatorily redeemable preferred stock assume quarterly declarations and monthly dividend payments through the respective mandatory redemption dates of each series.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified our investment valuation policy (which has been approved by our Board of Directors) as our most critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement. Additionally, refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements and our application of Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures.* We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement and the accompanying prospectus.

Investment Valuation

Credit Monitoring and Risk Rating

The Adviser monitors a wide variety of key credit statistics that provide information regarding our portfolio companies to help us assess credit quality and portfolio performance and, in some instances, are used as inputs in our valuation techniques. Generally, we, through the Adviser, participate in periodic board meetings of our portfolio companies in which we hold board seats and also require them to provide annual audited and monthly unaudited financial statements. Using these statements or comparable information and board discussions, the Adviser calculates and evaluates certain credit statistics.

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate equity securities. For loans that have been rated by an SEC-registered Nationally Recognized Statistical Rating Organization (NRSRO), the Adviser generally uses the average of two corporate level NRSRO s risk ratings for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser s risk rating system will provide the same risk rating as an NRSRO for these securities. The Adviser s risk rating system is used to estimate the probability of default on debt securities and the expected loss, if there is a default. The Adviser s risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. It is the Adviser s understanding that most debt securities of Lower Middle Market companies do not exceed the grade of BBB on an NRSRO scale, so there would be no debt securities in the Lower Middle Market that would meet the definition of AAA, AA or A. Therefore, the Adviser s scale begins with the designation >10 as the best risk rating which may be equivalent to a BBB from an NRSRO; however, no assurance can be given that a >10 on the Adviser s scale is equal to a BBB or Baa2 on an NRSRO scale. The Adviser s risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold.

The following table reflects risk ratings for all loans in our portfolio as of June 30, 2018 and March 31, 2018:

Rating	**June 30, 2018**	**March 31, 2018**
Highest	**9.0**	10.0
Average	**6.9**	6.4
Weighted-Average	**7.2**	6.5
Lowest	**3.0**	4.0

Tax Status

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we generally are not subject to federal income tax on the portion of our taxable income and gains distributed to our stockholders. To maintain our qualification as a RIC, we must maintain our status as a BDC and meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must distribute to stockholders at least 90% of our Investment Company Taxable Income. Our policy generally is to make distributions to our stockholders in an amount up to 100% of our Investment Company Taxable Income. We may retain some or all of our net long-term capital gains, if any, retain and designate them as deemed distributions, or distribute such gains to stockholders in cash.

In an effort to limit federal excise taxes imposed on RICs, a RIC has to distribute to stockholders, during each calendar year, an amount close to the sum of: (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (3) any ordinary income and capital gains in excess of capital losses from preceding years that were not distributed during such years. Under the RIC Modernization Act, we are permitted to carryforward any capital losses that we may incur for an unlimited period, and such capital loss carryforwards will retain their character as either short-term or long-term capital losses. Our capital loss carryforward balance was $0 as of both June 30, 2018 and March 31, 2018.

Recent Accounting Pronouncements

Refer to Note 2 *Summary of Significant Accounting Policies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement for a description of recent accounting pronouncements.

SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2018 Annual Meeting of Stockholders, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a price below the then-current NAV per common share (such approval, the Stockholder Approval), during a period beginning on August 9, 2018 and expiring on the first anniversary of such date. We intend to seek a similar approval at our 2019 annual meeting of stockholders in August 2019. To sell shares of common stock pursuant to this authorization, no further authorization from our stockholders will be solicited but a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (i) find that the sale is in our best interests and in the best interests of our stockholders and (ii) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares of common stock, or immediately prior to the issuance of such common stock, that the price at which such shares of common stock are to be sold is not less than a price which closely approximates the market value of those shares of common stock, less any distributing commission or discount. Further, the total number of shares issued and sold pursuant to such Stockholder Approval may not exceed 25% of our then outstanding common stock immediately prior to each such sale, aggregated over a period of one year from the date of such Stockholder Approval. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Business Capital Raising Efforts* for details on prior stockholder approval for the issuance and sale of shares of our common stock at a price below NAV per share.

Any offering of common stock below its NAV per share will be designed to raise capital for investment in accordance with our investment objectives. In making a determination that an offering of common stock below its NAV per share is in our and our stockholders best interests, our Board of Directors will consider a variety of factors including:

- the effect that an offering below NAV per common share would have on our common stockholders, including the potential dilution they would experience as a result of the offering;
- the amount per common share by which the offering price per share and the net proceeds per share are less than our most recently determined NAV per common share;
- the relationship of recent market prices of common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- whether the estimated offering price would closely approximate the market value of shares of our common stock;
- the potential market impact of being able to raise capital during financial market difficulties;
- the nature of any new investors anticipated to acquire shares of our common stock in the offering;
- the anticipated rate of return on and quality, type and availability of investments; and

the leverage available to us.

Our Board of Directors will also consider the fact that sales of shares of common stock at a discount will benefit the Adviser as the Adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other of our securities or from the offering of common stock at a premium to NAV per share. For additional information related to the sale of our common stock below NAV see also *Sales of Common Stock Below Net Asset Value* in the accompanying prospectus.

PLAN OF DISTRIBUTION

We previously entered into the Sales Agreements with the Sales Agents on February 22, 2018, pursuant to which we may issue and sell shares of our common stock, par value $0.001 per share, from time to time through the Sales Agents that have an aggregate offering price of up to $35.0 million. As of the date of this prospectus supplement, we have sold 296,236 shares of common stock and have $31.8 million remaining availability under the Sales Agreements.

Upon delivery of a placement notice and subject to the terms and conditions of the Sales Agreement, the Sales Agents will use its commercially reasonable efforts consistent with its sales and trading practices to sell by any method permitted by law deemed to be part of an at the market offering as defined in Rule 415(a)(4) promulgated under the Securities Act, by means of ordinary brokers transactions that qualify for delivery of a prospectus to Nasdaq in accordance with Rule 153 under the Securities Act or such other sales as may be agreed by us and the Sales Agents, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. We will instruct the Sales Agents as to the amount of common stock to be sold; provided, however, that, subject to the terms of the Sales Agreements, any sales of common stock pursuant to the Sales Agreements will only be effected by or through only one Sales Agent on any single given day, but in no event by more than one Sales Agent. We may instruct the Sales Agents not to sell common stock if the sales cannot be effected at or above the price designated by us in any instruction. We or the Sales Agents may suspend the offering of shares of common stock upon proper notice and subject to other conditions.

The Sales Agents will provide written confirmation of a sale to us no later than the opening of the trading day on Nasdaq following each trading day in which shares of our common stock are sold under the Sales Agreements. Each confirmation will include the number of shares of common stock sold on the preceding day, the net proceeds to us and the compensation payable by us to the Sales Agents in connection with the sales.

The Sales Agents will receive from us a commission to be negotiated from time to time but in no event in excess of 2.0% of the gross sales price of all shares of common stock sold through it as sales agent under the Sales Agreements. We estimate that the total expenses for the offering, excluding compensation payable to the Sales Agents under the terms of the Sales Agreements, will be approximately $0.2 million, which includes our legal, accounting and printing costs and various other fees associated with the offering, assuming all $35.0 million shares of common stock are sold pursuant to this prospectus supplement.

Settlement for sales of shares of common stock will occur on the second trading day following the date on which such sales are made, or on some other date that is agreed upon by the Company and the Sales Agents in connection with a particular transaction, in each case in accordance with applicable rules and regulations, in return for payment of the net proceeds to the Company. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

In connection with the sale of the common stock on our behalf, the Sales Agents will be deemed to be underwriters within the meaning of the Securities Act, and the compensation of the Sales Agents will be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to the Sales Agents against certain civil liabilities, including liabilities under the Securities Act and the 1940 Act.

The offering of our shares of common stock pursuant to the Sales Agreements will terminate upon the earlier of (i) the sale of all common stock subject to the Sales Agreements, (ii) the termination of the Sales Agreements by us or the Sales Agents in accordance with their terms or (iii) the date six years from the date of the Sales Agreements. The Sales Agreements may be terminated by us in our sole discretion under the circumstances specified in the Sales Agreements by giving five days notice to the Sales Agents. In addition, each Sales Agent may terminate its Sales Agreement under the circumstances specified in such Sales Agreement by giving five days notice to us.

The Sales Agents and their affiliates may in the future provide various investment banking, commercial banking and other financial services for us and our affiliates, for which services they may in the future receive customary fees. In addition, in the ordinary course of their business activities, the Sales Agents and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

The principal business address of each of our Sales Agents are as follows: Cantor Fitzgerald & Co. is 499 Park Avenue, New York, New York 10022; Ladenburg Thalmann & Co. Inc. is 277 Park Avenue, 26th floor, New York, NY 10172; and Wedbush Securities Inc. is 1000 Wilshire Boulevard, Los Angeles, CA 90017.

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND PAYING AGENT

The custodian of our assets is The Bank of New York Mellon Corp. The custodian s address is: 500 Ross Street, Suite 935, Pittsburgh, PA 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly owned subsidiary, Gladstone Business Investment, are held under a custodian agreement with The Bank of New York Mellon Corp., which acts as collateral custodian pursuant to the Credit Facility. The address of the collateral custodian is 500 Ross Street, Suite 935, Pittsburgh, PA 15262. Computershare, Inc. acts as our transfer and dividend paying agent and registrar. The principal business address of Computershare Inc. is 250 Royall Street, Canton, Massachusetts 02021, telephone number 781-575-2000. Computershare also maintains an internet website at *www.computershare.com*.

LEGAL MATTERS

Certain legal matters including, Delaware law and the validity of the common stock to be issued in connection with this offering, will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. The Sales Agents are being represented in connection with this offering by Cooley LLP, New York, New York.

EXPERTS

The financial statements as of March 31, 2018 and March 31, 2017 and for each of the three years in the period ended March 31, 2018 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Annual Report on Internal Control over Financial Reporting) as of March 31, 2018, included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are required to file reports, proxy statements and other information with the SEC. These documents may be inspected and copied for a fee at the SEC s public reference room, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC s website is *www.sec.gov*. You may also obtain copies of such material from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

You may request a free copy of this prospectus supplement, the accompanying prospectus, our annual reports to stockholders, when available, and other information about us, and make stockholder inquiries by calling (866) 366-5745 or by writing to us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, or from our website (*www.GladstoneInvestment.com*). The information contained in, or that can be accessed through, our website is not part of this prospectus supplement or the accompanying prospectus. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. We also furnish to our stockholders annual reports, which include annual financial information that has been examined and reported on, with an opinion expressed, by our independent registered public accounting firm.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement

and in the accompanying prospectus about the contents of any contract or other document are not necessarily complete and, in each instance, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference.

Additional information about the Company may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules thereto) filed with the SEC. The SEC maintains a web site (*www.sec.gov*) that contains our registration statement, other documents incorporated by reference in the registration statement and other information that we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	June 30, 2018	March 31, 2018
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of **$234,640** and $220,087, respectively)	**$ 258,109**	$ 247,297
Affiliate investments (Cost of **$340,797** and $343,247, respectively)	**355,514**	339,393
Control investments (Cost of **$21,512** and $21,512 respectively)	**15,695**	12,457
Cash and cash equivalents	**2,080**	3,639
Restricted cash and cash equivalents	**1,234**	328
Interest receivable	**3,134**	3,532
Due from administrative agent	**1,740**	2,324
Deferred financing costs, net	**879**	976
Other assets, net	**653**	953
TOTAL ASSETS	**$ 639,038**	$ 610,899
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of **$102,500** and $107,000, respectively)	**$ 102,907**	$ 107,500
Secured borrowing	**5,096**	5,096
Total borrowings	**108,003**	112,596
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference; **6,356,000** shares authorized; **5,566,000** shares issued and outstanding, net	**135,811**	135,615
Accounts payable and accrued expenses	**832**	916
Fees due to Adviser[(A)]	**12,786**	6,671
Fee due to Administrator[(A)]	**285**	317
Other liabilities	**1,513**	584
TOTAL LIABILITIES	**$ 259,230**	$ 256,699
Commitments and contingencies[(B)]		
NET ASSETS	**$ 379,808**	$ 354,200
ANALYSIS OF NET ASSETS		
Common stock, $0.001 par value per share, **100,000,000** shares authorized, **32,822,459** and 32,653,635 shares issued and outstanding, respectively	**$ 33**	$ 33
Capital in excess of par value	**332,301**	330,661
Cumulative net unrealized appreciation of investments	**32,369**	14,301
Cumulative net unrealized appreciation of other	**(407)**	(500)

(Overdistributed) underdistributed net investment income	**(2,509)**	3,660
Accumulated net realized gain in excess of distributions	**18,021**	6,045
TOTAL NET ASSETS	**$ 379,808**	$ 354,200
NET ASSET VALUE PER SHARE AT END OF PERIOD	**$ 11.57**	$ 10.85

(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.

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,	
	2018	**2017**
INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	**$ 6,266**	$ 4,466
Affiliate investments	**6,829**	6,072
Control investments	**209**	206
Cash and cash equivalents	**10**	2
Total interest income	**13,314**	10,746
Dividend income		
Non-Control/Non-Affiliate investments	**66**	
Affiliate investments		865
Total dividend income	**66**	865
Success fee income		
Non-Control/Non-Affiliate investments	**124**	2,009
Control investments	**2,000**	
Total success fee income	**2,124**	2,009
Total investment income	**15,504**	13,620
EXPENSES		
Base management fee(A)	**3,111**	2,516
Loan servicing fee(A)	**1,740**	1,564
Incentive fee(A)	**7,586**	1,172
Administration fee(A)	**285**	307
Interest expense on borrowings	**1,742**	729
Dividends on mandatorily redeemable preferred stock	**2,251**	2,251
Amortization of deferred financing costs and discounts	**367**	367
Professional fees	**411**	319
Other general and administrative expenses	**653**	1,072
Expenses before credits from Adviser	**18,146**	10,297
Credits to base management fee loan servicing fee(A)	**(1,740)**	(1,564)
Credits to fees from Adviser other(A)	**(960)**	(548)

Total expenses, net of credits to fees	**15,446**	8,185
NET INVESTMENT INCOME	**$ 58**	$ 5,435
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss):		
Non-Control/Non-Affiliate investments	**13,786**	941
Affiliate investments	**322**	224
Total net realized gain	**14,108**	1,165
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	**(3,741)**	1,831
Affiliate investments	**18,571**	2,335
Control investments	**3,238**	(2,625)
Other	**93**	
Total net unrealized appreciation	**18,161**	1,541
Net realized and unrealized gain	**32,269**	2,706
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 32,327**	$ 8,141

(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.

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,			
	2018		**2017**	
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$**		$	0.17
Net increase in net assets resulting from operations	**$**	**0.99**	$	0.26
Distributions	**$**	**0.26**	$	0.25
WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted		**32,762,848**		31,474,284

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
OPERATIONS		
Net investment income	**$ 58**	$ 5,435
Net realized gain on investments	**14,108**	1,165
Net unrealized appreciation of investments	**18,068**	1,541
Net unrealized depreciation of other	**93**	
Net increase in net assets from operations	**32,327**	8,141
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(6,914)**	(6,091)
Distributions to common stockholders from realized gains	**(1,641)**	(1,951)
Net decrease in net assets from distributions	**(8,555)**	(8,042)
CAPITAL ACTIVITY		
Issuance of common stock	**1,873**	21,154
Discounts, commissions, and offering costs for issuance of common stock	**(37)**	(1,100)
Net increase in net assets from capital activity	**1,836**	20,054
TOTAL INCREASE IN NET ASSETS	**25,608**	20,153
NET ASSETS, BEGINNING OF PERIOD	**354,200**	301,082
NET ASSETS, END OF PERIOD	**$ 379,808**	$ 321,235

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 32,327**	$ 8,141
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchase of investments	**(30,052)**	(2,148)
Principal repayments of investments	**14,514**	13,660
Net proceeds from the sale of investments	**17,548**	5,797
Net realized gain on investments	**(14,108)**	(1,176)
Net unrealized appreciation of investments	**(18,068)**	(1,541)
Net unrealized depreciation of other	**(93)**	
Amortization of premiums, discounts, and acquisition costs, net	**(5)**	(2)
Amortization of deferred financing costs and discounts	**367**	367
Bad debt expense, net of recoveries	**251**	539
Changes in assets and liabilities:		
Decrease in interest receivable	**367**	235
Decrease (increase) in due from administrative agent	**584**	(435)
Decrease in other assets, net	**166**	2,292
(Decrease) increase in accounts payable and accrued expenses	**(127)**	498
Increase in fees due to Adviser[(A)]	**6,115**	291
(Decrease) increase in fee due to Administrator[(A)]	**(32)**	11
Increase (decrease) in other liabilities	**929**	(185)
Net cash provided by operating activities	**10,683**	26,344
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	**1,873**	21,154
Discounts, commissions, and offering costs for issuance of common stock	**(28)**	(1,084)
Proceeds from line of credit	**37,900**	9,400
Repayments on line of credit	**(42,400)**	(45,100)
Deferred financing and offering costs	**(126)**	(75)
Distributions paid to common stockholders	**(8,555)**	(8,042)
Net cash used in financing activities	**(11,336)**	(23,747)
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	**(653)**	2,597

CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF PERIOD		**3,967**		4,099
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS AT END OF PERIOD	**$**	**3,314**	$	6,696
CASH PAID FOR INTEREST	**$**	**1,743**	$	626
NON-CASH ACTIVITIES[(B)]	**$**		$	9,379

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

(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 transaction:

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.

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2018

(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) 68.0%			
Secured First Lien Debt 36.7%			
Containers, Packaging, and Glass 2.5%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.1% Cash, Due 12/2019)(L)	9,500	$ **9,500**	$ **9,500**
Diversified/Conglomerate Services 15.8%			
Bassett Creek Restoration, Inc. Term Debt (L+10.0%, 12.1% Cash, Due 4/2023)(T)	23,000	23,000	23,000
Counsel Press, Inc. Term Debt (L+11.8%, 13.8% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 15.1% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 13.6% Cash, Due 3/2023)(L)	13,290	13,290	13,290
		59,790	**59,790**
Farming and Agriculture 4.2%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 10/2018)(L)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 5/2020)(L)	5,000	5,000	5,000
		16,000	**16,000**
Leisure, Amusement, Motion Pictures, and Entertainment 7.3%			
Schylling, Inc. Term Debt (L+11.0%, 13.1%, Due 11/2018)(L)	13,081	13,081	13,081
Schylling, Inc. Term Debt (L+11.0%, 13.1%, Due 11/2018)(L)	8,500	8,500	8,500
Schylling, Inc. Term Debt (L+11.0%, 13.1%, Due 11/2018)(L)	6,000	6,000	6,000
		27,581	**27,581**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.3%			
SBS Industries, LLC Term Debt (L+12.0%, 14.1% Cash, Due 6/2020)(L)	19,957	**19,957**	**19,957**
Oil and Gas 0.8%			
Tread Corporation Line of Credit, $634 available (L+10.0%, 12.5% Cash, Due 3/2021)(L)	3,216	**3,216**	**3,216**
Personal, Food, and Miscellaneous Services 0.8%			
B-Dry, LLC Line of Credit, $100 available (L+0.3%, 2.3% Cash (0.8% Unused Fee), Due 12/2018)(G)(L)	4,550	4,550	3,045
B-Dry, LLC Term Debt (L+0.3%, 2.3% Cash, Due 12/2019)(G)(L)	6,443	6,443	
B-Dry, LLC Term Debt (L+0.3%, 2.3% Cash, Due 12/2019)(G)(L)	840	840	
		11,833	**3,045**

Total Secured First Lien Debt			**$ 147,877**	**$ 139,089**
Secured Second Lien Debt 8.0%				
Automobile 1.1%				
Country Club Enterprises, LLC	Term Debt (L+11.0%, 18.7% Cash, Due 5/2019)[(L)]	$ 4,000	**$ 4,000**	**$ 4,000**
Cargo Transport 3.4%				
Diligent Delivery Systems	Term Debt (L+9.0%, 11.1% Cash, Due 11/2022)[(Q)]	13,000	**12,920**	**13,000**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.5%				
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			**$ 30,220**	**$ 30,300**
Preferred Equity 19.2%				
Automobile 0.2%				
Country Club Enterprises, LLC	Preferred Stock[(C)(L)]	7,304,792	$ 7,725	$ 786
Country Club Enterprises, LLC	Guaranty ($2,000)[(J)]			
			7,725	**786**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment[(A)(B)(D)(E)]	Principal/Shares/ Units[(F)(J)]	Cost	Fair Value
Containers, Packaging, and Glass 0.4%			
Frontier Packaging, Inc. Preferred Stock[(C)(L)]	1,373	$ 1,373	$ 1,456
Diversified/Conglomerate Services 11.5%			
Bassett Creek Restoration, Inc. Preferred Stock[(C)(T)]	4,900	4,900	4,900
Counsel Press, Inc. Preferred Stock[(C)(L)]	6,995	6,995	7,699
Nth Degree, Inc. Preferred Stock[(C)(L)]	5,660	5,660	31,016
		17,555	**43,615**
Farming and Agriculture 1.5%			
Jackrabbit, Inc. Preferred Stock[(C)(L)]	3,556	3,556	3,404
Star Seed, Inc. Preferred Stock[(C)(L)]	1,499	1,499	2,431
		5,055	**5,835**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.4%			
Ginsey Home Solutions, Inc. Preferred Stock[(C)(L)]	19,280	**9,583**	**12,845**
Leisure, Amusement, Motion Pictures, and Entertainment 0.5%			
Schylling, Inc. Preferred Stock[(C)(L)]	4,000	**4,000**	**2,080**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.5%			
SBS Industries, LLC Preferred Stock[(C)(L)]	27,705	**2,771**	**1,838**
Oil and Gas 1.2%			
Tread Corporation Preferred Stock[(C)(L)]	12,998,639	**3,768**	**4,550**
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock[(C)(L)]	2,500	**2,516**	
Total Preferred Equity		**$ 54,346**	**$ 73,005**
Common Equity 4.1%			
Cargo Transport 0.6%			
Diligent Delivery Systems Common Stock Warrants[(C)(Q)]	8%	**$ 500**	**$ 2,384**
Containers, Packaging, and Glass 2.7%			
Frontier Packaging, Inc. Common Stock[(C)(L)]	152	**152**	**10,435**
Farming and Agriculture 0.6%			
Jackrabbit, Inc. Common Stock[(C)(L)]	548	94	
Star Seed, Inc. Common Stock[(C)(L)]	600	1	2,184

			95	**2,184**
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) 0.2%				
Funko Acquisition Holdings, LLC[(M)]	Common Units[(C)(S)]	67,873	**167**	**712**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2018

(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**	$
Total Common Equity		$ **2,197**	$ **15,715**
Total Non-Control/Non-Affiliate Investments		**$ 234,640**	**$ 258,109**
AFFILIATE INVESTMENTS(O) **93.6%**			
Secured First Lien Debt 45.3%			
Automobile 2.0%			
Meridian Rack & Pinion, Inc.(M) Term Debt (L+11.5%, 13.6% Cash, Due 6/2019)(K)	$ 9,660	$ **9,660**	$ **7,728**
Beverage, Food, and Tobacco 2.4%			
Head Country, Inc. Term Debt (L+10.5%, 12.6% Cash, Due 2/2019)(L)	9,050	**9,050**	**9,050**
Diversified/Conglomerate Manufacturing 5.1%			
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)(I)(L)	8,795	8,795	7,844
Edge Adhesives Holdings, Inc.(M) Term Debt (L+10.5%, 12.6% Cash, Due 2/2019)(K)	9,300	9,300	9,068
Edge Adhesives Holdings, Inc.(M) Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)(K)	2,400	2,400	2,352
		20,495	**19,264**
Diversified/Conglomerate Services 11.3%			
ImageWorks Display and Marketing Group, Inc. Line of Credit, $3,000 available (L+9.0%, 11.1% Cash, Due 8/2018)(L)			
ImageWorks Display and Marketing Group, Inc. Term Debt (L+11.0%, 13.1% Cash, Due 11/2022)(L)	22,000	22,000	22,000
J.R. Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.6% Cash, Due 2/2022)(L)	21,000	21,000	21,000
		43,000	**43,000**
Home and Office Furnishings, Housewares, and Durable Consumer Products 8.9%			
Brunswick Bowling Products, Inc. Term Debt (L+10.0%, 12.1% Cash, Due 1/2023)(L)	17,700	17,700	17,700

Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)(L)	15,770	15,770	15,770
		33,470	**33,470**
Leisure, Amusement, Motion Pictures, and Entertainment 4.0%			
SOG Specialty Knives & Tools, LLC Term Debt (L+7.3%, 9.3% Cash, Due 8/2020)(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+8.3%, 10.3% Cash, Due 8/2020)(L)	12,200	12,200	8,883
SOG Specialty Knives & Tools, LLC Term Debt (Due 8/2020)(L)(R)	538	538	441
		18,938	**15,524**
Personal and Non-Durable Consumer Products (Manufacturing Only) 5.5%			
Pioneer Square Brands, Inc. Term Debt (L+12.0%, 14.1% Cash, Due 8/2022)(L)	21,000	**21,000**	**21,000**
Telecommunications 3.7%			
B+T Group Acquisition, Inc.(M) Term Debt (L+11.0%, 13.1% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**
Textiles and Leather 2.4%			
Logo Sportswear, Inc. Term Debt (L+10.5%, 12.6% Cash, Due 3/2020)(L)	9,200	**9,200**	**9,200**
Total Secured First Lien Debt		**$ 178,813**	**$ 172,236**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	**Principal/Shares/ Units**(F)(J)	**Cost**	**Fair Value**
Secured Second Lien Debt 16.3%			
Chemicals, Plastics, and Rubber 6.5%			
PSI Molded Plastics, Inc. Term Debt (L+12.0%, 14.1% Cash, Due 1/2024)(G)(L)	$ 24,618	**$ 24,618**	**$ 24,618**
Diversified/Conglomerate Manufacturing 3.2%			
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.1% Cash, Due 4/2021)(K)	12,215	12,215	10,993
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.1% Cash, Due 4/2021)(K)	175	175	158
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.1% Cash, Due 4/2021)(K)	910	910	824
		13,300	**11,975**
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.2%			
Cambridge Sound Management, Inc. Term Debt (L+11.0%, 13.1% Cash, Due 8/2021)(L)	16,000	**16,000**	**16,000**
Personal and Non-Durable Consumer Products (Manufacturing Only) 2.4%			
The Mountain Corporation Term Debt (L+4.0%, 7.0% Cash, Due 8/2021)(G)(L)	18,600	18,600	6,133
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,000	1,000	1,000
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,500	1,500	1,500
The Mountain Corporation Delayed Draw Term Debt, $500 available (Due 8/2021)(L)(R)	500	500	500
		21,600	**9,133**
Total Secured Second Lien Debt		**$ 75,518**	**$ 61,726**
Preferred Equity 32.0%			
Automobile 0.0%			
Meridian Rack & Pinion, Inc.(M) Preferred Stock(C)(L)	3,381	**$ 3,381**	**$**
Beverage, Food, and Tobacco 0.7%			
Head Country, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**2,499**
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock(C)(L)(V)	3,600	**3,600**	
Chemicals, Plastics, and Rubber 0.0%			
PSI Molded Plastics, Inc. Preferred Stock(C)(L)	51,098	**8,980**	
Diversified/Conglomerate Manufacturing 1.0%			
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	3,842

		10,729	**3,842**
Diversified/Conglomerate Services 6.4%			
ImageWorks Display and Marketing Group, Inc. Preferred Stock(C)(L)	67,490	6,750	9,410
J.R. Hobbs Co. Atlanta, LLC Preferred Stock(C)(L)	5,920	5,920	15,031
		12,670	**24,441**
Home and Office Furnishings, Housewares, and Durable Consumer Products 18.5%			
Brunswick Bowling Products, Inc. Preferred Stock(C)(L)	4,943	4,943	20,550
Cambridge Sound Management, Inc. Preferred Stock(C)(L)	4,500	4,500	38,732
Old World Christmas, Inc. Preferred Stock(C)(L)	6,180	6,180	10,976
		15,623	**70,258**
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) 2.5%			
The Mountain Corporation Preferred Stock(C)(L)	6,899	6,899	
Pioneer Square Brands, Inc. Preferred Stock(C)(L)	5,502	5,500	9,609
		12,399	**9,609**
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)

JUNE 30, 2018

(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	$ **1,096**	$ **10,903**
Total Preferred Equity			$ **86,423**	$ **121,552**
Common Equity 0.0%				
Cargo Transport 0.0%				
NDLI, Inc.	Common Stock(C)(L)(V)	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			$ **340,797**	$ **355,514**
CONTROL INVESTMENTS(P) 4.1%:				
Secured First Lien Debt 1.3%				
Aerospace and Defense 1.3%				
Galaxy Tool Holding Corporation	Line of Credit, $0 available (L+4.5%, 6.6% Cash (1.0% Unused Fee), Due 8/2019)(L)	$ 5,000	$ **5,000**	$ **5,000**
Secured Second Lien Debt 1.3%				
Aerospace and Defense 1.3%				
Galaxy Tool Holding Corporation	Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)(L)	$ 5,000	$ **5,000**	$ **5,000**
Preferred Equity 1.5%				
Aerospace and Defense 1.5%				
Galaxy Tool Holding Corporation	Preferred Stock(C)(L)	5,517,444	$ **11,464**	$ **5,695**
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**	**$ 15,695**
TOTAL INVESTMENTS	**165.7%**	**$ 596,949**	**$ 629,318**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2018

(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 $533.0 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 June 30, 2018, our investment in Funko Acquisition Holdings, LLC (Funko) is considered a non-qualifying asset under Section 55 of the 1940 Act and represents less than 0.2% 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 2.1% as of June 30, 2018. 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 June 30, 2018.

(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 June 30, 2018.

(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 ICE Data Pricing and Reference Data, LLC (formerly Standard and 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 (SEC).

(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 Funko was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Our common units in Funko are convertible into class A common stock in Funko, Inc. upon meeting certain 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.

(T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended June 30, 2018 best represents fair value as of June 30, 2018.

(U) Refer to Note 11 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

(V) Investment was exited subsequent to June 30, 2018. Refer to Note 13 *Subsequent Events* in the accompanying *Notes t*

o Consolidated Financial Statements for additional information

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2018

(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) 69.8%			
Secured First Lien Debt 35.8%			
Chemicals, Plastics, and Rubber 2.8%			
Drew Foam Companies, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 7/2018)(Q)	$ 9,913	**$ 9,913**	**$ 9,987**
Containers, Packaging, and Glass 2.7%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 12/2019)(L)	9,500	**9,500**	**9,500**
Diversified/Conglomerate Services 10.4%			
Counsel Press, Inc. Term Debt (L+11.8%, 13.6% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 14.9% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 13.4% Cash, Due 12/2020)(L)	13,290	13,290	13,290
		36,790	**36,790**
Farming and Agriculture 4.5%			
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 5/2020)(L)	5,000	5,000	5,000
		16,000	**16,000**
Leisure, Amusement, Motion Pictures, and Entertainment 7.8%			
Schylling, Inc. Term Debt (L+11.0%, 13.0%, Due 11/2018)(L)	13,081	13,081	13,081
Schylling, Inc. Term Debt (L+11.0%, 13.0%, Due 11/2018)(T)	8,500	8,500	8,500
Schylling, Inc. Term Debt (L+11.0%, 13.0%, Due 11/2018)(T)	6,000	6,000	6,000
		27,581	**27,581**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.6%			
SBS Industries, LLC Line of Credit, $1,500 available (L+8.5%, 10.4% 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 0.9%			
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 1.1%			
B-Dry, LLC Line of Credit, $100 available (L+0.3%, 2.1% Cash (0.8% Unused Fee), Due 12/2018)(L)	4,550	4,550	3,882
B-Dry, LLC Term Debt (L+0.3%, 2.1% Cash, Due 12/2019)(L)	6,443	6,443	
B-Dry, LLC Term Debt (L+0.3%, 2.1% Cash, Due 12/2019)(L)	840	840	

			11,833	**3,882**
Total Secured First Lien Debt			**$ 134,790**	**$ 126,913**
Secured Second Lien Debt 8.6%				
Automobile 1.1%				
Country Club Enterprises, LLC	Term Debt (L+11.0%, 18.7% Cash, Due 5/2018)[(L)]	$ 4,000	**$ 4,000**	**$ 4,000**
Cargo Transport 3.7%				
Diligent Delivery Systems	Term Debt (L+8.0%, 10.0% Cash, Due 11/2022)[(Q)]	13,000	**12,916**	**13,000**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.8%				
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			**$ 30,216**	**$ 30,300**
Preferred Equity 17.3%				
Automobile 0.3%				
Country Club Enterprises, LLC	Preferred Stock[(C)(L)]	7,304,792	$ 7,725	$ 1,010
Country Club Enterprises, LLC	Guaranty ($2,000)[(U)]			
			7,725	**1,010**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

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**	**1,428**
Diversified/Conglomerate Services 9.2%				
Counsel Press, Inc.	Preferred Stock(C)(L)	6,995	6,995	6,303
Nth Degree, Inc.	Preferred Stock(C)(L)	5,660	5,660	26,424
			12,655	**32,727**
Farming and Agriculture 1.4%				
Jackrabbit, Inc.	Preferred Stock(C)(L)	3,556	3,556	2,518
Star Seed, Inc.	Preferred Stock(C)(L)	1,499	1,499	2,376
			5,055	**4,894**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.5%				
Ginsey Home Solutions, Inc.	Preferred Stock(C)(L)	19,280	**9,583**	**12,555**
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) 0.6%				
SBS Industries, LLC	Preferred Stock(C)(L)	27,705	**2,771**	**1,958**
Oil and Gas 0.9%				
Tread Corporation	Preferred Stock(C)(L)	12,998,639	**3,768**	**3,335**
Personal, Food, and Miscellaneous Services 0.0%				
B-Dry, LLC	Preferred Stock(C)(L)	2,500	**2,516**	
Total Preferred Equity			**$ 52,821**	**$ 61,282**
Common Equity 8.1%				
Cargo Transport 0.7%				
Diligent Delivery Systems	Common Stock Warrants(C)(Q)	8%	**$ 500**	**$ 2,816**
Chemicals, Plastics, and Rubber 4.1%				
Drew Foam Companies, Inc.	Common Stock(C)(Q)	5,372	**63**	**14,744**
Containers, Packaging, and Glass 3.0%				
Frontier Packaging, Inc.	Common Stock(C)(L)	152	**152**	**10,459**
Farming and Agriculture 0.2%				

Jackrabbit, Inc.	Common Stock(C)(L)	548	94	
Star Seed, Inc.	Common Stock(C)(L)	600	1	589
			95	**589**
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) 0.1%				
Funko Acquisition Holdings, LLC(M)	Common Units(C)(S)	67,873	**167**	**194**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

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**	$
Total Common Equity		$ **2,260**	$ **28,802**
Total Non-Control/Non-Affiliate Investments		**$ 220,087**	**$ 247,297**
AFFILIATE INVESTMENTS[(O)] 95.8%			
Secured First Lien Debt 49.1%			
Automobile 2.3%			
Meridian Rack & Pinion, Inc.[(M)] Term Debt (L+11.5%, 13.5% Cash, Due 4/2019)[(K)]	$ 9,660	$ **9,660**	$ **8,018**
Beverage, Food, and Tobacco 2.6%			
Head Country, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)[(L)]	9,050	**9,050**	**9,050**
Diversified/Conglomerate Manufacturing 5.0%			
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)[(I)(L)]	8,795	8,795	7,028
Edge Adhesives Holdings, Inc.[(M)] Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)[(K)]	9,300	9,300	8,742
Edge Adhesives Holdings, Inc.[(M)] Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)[(K)]	2,400	2,400	2,268
		20,495	**18,038**
Diversified/Conglomerate Services 12.2%			
ImageWorks Display and Marketing Group, Inc. Line of Credit, $2,700 available (L+9.0%, 10.9% Cash, Due 5/2018)[(L)]	300	300	300
ImageWorks Display and Marketing Group, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 11/2022)[(L)]	22,000	22,000	22,000
J.R. Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.4% Cash, Due 2/2022)[(L)]	21,000	21,000	21,000
		43,300	**43,300**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.4%			
Brunswick Bowling Products, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 1/2023)[(L)]	17,700	17,700	17,700
Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)[(L)]	15,770	15,770	15,770
		33,470	**33,470**
Leisure, Amusement, Motion Pictures, and Entertainment 4.4%			
SOG Specialty Knives & Tools, LLC Term Debt (L+7.3%, 9.3% Cash, Due 8/2020)[(L)]	6,200	6,200	6,200

SOG Specialty Knives & Tools, LLC	Term Debt (L+8.3%, 10.3% Cash, Due 8/2020)(L)	12,200	12,200	8,827
SOG Specialty Knives & Tools, LLC	Term Debt (Due 8/2020)(L)(R)	538	538	440
			18,938	**15,467**
Personal and Non-Durable Consumer Products (Manufacturing Only)	**6.6%**			
Pioneer Square Brands, Inc.	Line of Credit, $600 available (L+9.0%, 10.9% Cash (1.0% Unused Fee), Due 4/2018)(L)	2,400	2,400	2,400
Pioneer Square Brands, Inc.	Term Debt (L+12.0%, 13.9% Cash, Due 8/2022)(L)	21,000	21,000	21,000
			23,400	**23,400**
Telecommunications	**4.0%**			
B+T Group Acquisition, Inc.(M)	Term Debt (L+11.0%, 13.0% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**
Textiles and Leather	**2.6%**			
Logo Sportswear, Inc.	Term Debt (L+10.5%, 12.5% Cash, Due 3/2020)(L)	9,200	**9,200**	**9,200**
Total Secured First Lien Debt			**$ 181,513**	**$ 173,943**

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, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Secured Second Lien Debt 17.5%			
Chemicals, Plastics, and Rubber 7.0%			
PSI Molded Plastics, Inc. Term Debt (L+12.0%, 13.9% Cash, Due 1/2024)(L)	$ 24,618	**$ 24,618**	**$ 24,618**
Diversified/Conglomerate Manufacturing 2.8%			
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)(G)(K)	12,215	12,215	9,161
Alloy Die Casting Co.(M) Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)(G)(K)	175	175	131
Alloy Die Casting Co.(M) Term Debt (Due 4/2021)(K)(R)	910	910	687
		13,300	**9,979**
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.5%			
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) 3.2%			
The Mountain Corporation Term Debt (L+4.0%, 7.0% Cash, Due 8/2021)(L)	18,600	18,600	8,692
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,000	1,000	1,000
The Mountain Corporation Term Debt (Due 8/2021)(L)(R)	1,500	1,500	1,500
The Mountain Corporation Delayed Draw Term Debt, $750 available (Due 8/2021)(L)(R)	250	250	250
		21,350	**11,442**
Total Secured Second Lien Debt		**$ 75,268**	**$ 62,039**
Preferred Equity 29.2%			
Automobile 0.2%			
Meridian Rack & Pinion, Inc.(M) Preferred Stock(C)(L)	3,381	**$ 3,381**	**$ 802**
Beverage, Food, and Tobacco 0.7%			
Head Country, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**2,555**
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock(C)(L)	3,600	**3,600**	
Chemicals, Plastics, and Rubber 0.9%			
PSI Molded Plastics, Inc. Preferred Stock(C)(L)	51,098	**8,980**	**3,016**
Diversified/Conglomerate Manufacturing 0.5%			
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	1,925
		10,729	**1,925**
Diversified/Conglomerate Services 6.8%			

ImageWorks Display and Marketing Group, Inc. Preferred Stock(C)(L)	67,490	6,750	9,422
J.R. Hobbs Co. Atlanta, LLC Preferred Stock(C)(L)	5,920	5,920	14,480
		12,670	**23,902**
Home and Office Furnishings, Housewares, and Durable Consumer Products 15.0%			
Brunswick Bowling Products, Inc. Preferred Stock(C)(L)	4,943	4,943	16,615
Cambridge Sound Management, Inc. Preferred Stock(C)(L)	4,500	4,500	26,178
Old World Christmas, Inc. Preferred Stock(C)(L)	6,180	6,180	10,411
		15,623	**53,204**
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) 2.2%			
The Mountain Corporation Preferred Stock(C)(L)	6,899	6,899	
Pioneer Square Brands, Inc. Preferred Stock(C)(L)	5,502	5,500	7,800
		12,399	**7,800**
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)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

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	$ **1,096**	$ **10,207**
Total Preferred Equity		$ **86,423**	$ **103,411**
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		$ **343,247**	$ **339,393**
CONTROL INVESTMENTS(P) **3.5%:**			
Secured First Lien Debt 1.4%			
Aerospace and Defense 1.4%			
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 1.4%			
Aerospace and Defense 1.4%			
Galaxy Tool Holding Corporation Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)(L)	$ 5,000	$ **5,000**	$ **5,000**
Preferred Equity 0.7%			
Aerospace and Defense 0.7%			
Galaxy Tool Holding Corporation Preferred Stock(C)(L)	5,517,444	$ **11,464**	$ **2,457**
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**	$ **12,457**

TOTAL INVESTMENTS	**169.2%(V)**	**$ 584,846**	**$ 599,147**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(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 $504.0 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, 2018, our investment in Funko Acquisition Holdings, LLC (Funko) is considered a non-qualifying asset under Section 55 of the 1940 Act and represents less than 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 1.9% as of March 31, 2018. 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, 2018.

(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 March 31, 2018.

(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 ICE Data Pricing and Reference Data, LLC (formerly Standard and 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 (SEC).

(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 Funko was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Our common units in Funko are convertible into 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.

(T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended March 31, 2018 best represents fair value as of March 31, 2018.

(U) Refer to Note 11 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

(V) Cumulative gross unrealized depreciation for federal income tax purposes is $95.2 million; cumulative gross unrealized appreciation for federal income tax purposes is $113.6 million. Cumulative net unrealized appreciation is $18.4 million, based on a tax cost of $580.8 million.

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

GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

(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 months ended June 30, 2018 are not necessarily indicative of results that ultimately may be achieved for the fiscal year ending March 31, 2019 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, 2018, as filed with the SEC on May 15, 2018.

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 to Consolidated Financial Statements*. 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.

ICE Data Pricing and Reference Data, LLC (ICE) (formerly Standard and Poor s Securities Evaluations, Inc.), a valuation specialist, generally provides estimates of fair value on our debt investments. The Valuation Team generally assigns ICE 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 ICE 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 ICE 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 the 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.

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 obtained from our indexing methodology whereby the original transaction EBITDA at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA 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; however, TEV may also be calculated using revenue multiples or 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 a DCF analysis 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 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 ICE 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. New and follow-on debt and equity investments made during the current reporting quarter are generally valued at our original cost basis, as appropriate, as near-measurement date transaction value generally is a reasonable indicator of fair value.

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 June 30, 2018, certain of our loans to B-Dry, LLC, The Mountain Corporation, and PSI Molded Plastics, Inc. were on non-accrual status, with an aggregate debt cost basis of $55.1 million, or 12.4% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $33.8 million, or 8.2% of the fair value of all debt investments in our portfolio. As of March 31, 2018, certain of our loans to Alloy Die Casting Co. and Tread Corporation were on non-accrual status, with an aggregate debt cost basis of $15.6 million, or 3.6% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $12.5 million, or 3.1% 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 June 30, 2018 and March 31, 2018, we did not have any loans with a PIK interest component.

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.

Restricted Cash and Cash Equivalents

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

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. Refer to 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).

We are also party to the Administration Agreement with the Administrator, which is owned and controlled by our chairman and chief executive officer, whereby we pay separately for administrative services.

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. 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, and we adopted ASU 2016-18 effective April 1, 2018. The adoption of ASU 2016-18 did not have a material impact on our financial position, results of operations, or cash flows.

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. 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, and we adopted ASU 2016-15 effective April 1, 2018. The adoption of ASU 2016-15 did not have a material impact on our financial position, results of operations, or cash flows.

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. 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, and we adopted ASU 2016-01 effective April 1, 2018. The adoption of ASU 2016-01 did not have a material impact on our financial position, results of operations, or cash flows.

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 adopted ASU 2014-09, as amended, effective April 1, 2018. The adoption of ASU 2014-09, as amended, did not result in 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, we determine the fair value of our investments 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 June 30, 2018 and March 31, 2018, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in Funko Acquisition Holdings, LLC (Funko), 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. There were no transfers in or out of Level 1, 2 and 3 during the three months ended June 30, 2018. During the three months ended June 30, 2017, we transferred our investment in AquaVenture Holdings Limited, f/k/a Quench Holdings Corp., (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 and subsequently sold our investment.

As of June 30, 2018 and March 31, 2018, 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 June 30, 2018:				
Secured first lien debt	$ 316,325	$	$	$ 316,325
Secured second lien debt	97,026			97,026
Preferred equity	200,252			200,252
Common equity/equivalents	15,715		712[(A)]	15,003
Total Investments at June 30, 2018	**$ 629,318**	**$**	**$ 712**	**$ 628,606**

		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, 2018:				
Secured first lien debt	$ 305,856	$	$	$ 305,856
Secured second lien debt	97,339			97,339
Preferred equity	167,150			167,150
Common equity/equivalents	28,802		194[(B)]	28,608
Total Investments at March 31, 2018	**$ 599,147**	**$**	**$ 194**	**$ 598,953**

(A) 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 certain restrictions.

(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 expired in May 2018, and other restrictions.

The following table presents our investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy, and carried at fair value as of June 30, 2018 and March 31, 2018, 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	
	June 30, 2018	**March 31, 2018**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 139,089**	$ 126,913
Secured second lien debt	**30,300**	30,300
Preferred equity	**73,005**	61,282
Common equity/equivalents[(A)]	**15,003**	28,608
Total Non-Control/Non-Affiliate Investments	**257,397**	247,103
Affiliate Investments		
Secured first lien debt	**172,236**	173,943
Secured second lien debt	**61,726**	62,039
Preferred equity	**121,552**	103,411
Common equity/equivalents		
Total Affiliate Investments	**355,514**	339,393
Control Investments		
Secured first lien debt	**5,000**	5,000
Secured second lien debt	**5,000**	5,000
Preferred equity	**5,695**	2,457
Common equity/equivalents		
Total Control Investments	**15,695**	12,457
Total investments at fair value using Level 3 inputs	**$ 628,606**	$ 598,953

(A) Excludes our investment in Funko with a fair value of $0.7 million and $0.2 million as of June 30, 2018 and March 31, 2018, respectively, which was valued using Level 2 inputs.

In accordance with ASC 820, the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of June 30, 2018 and March 31, 2018. 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 June 30, 2018	**Fair Value as of March 31, 2018**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted-Average as of June 30, 2018**	**Range / Weighted-Average as of March 31, 2018**
Secured first lien debt	**$297,177**(A)	$286,828(A)	TEV	EBITDA multiple	4.9x 8.0x / 6.2x	4.7x 8.3x / 6.1x
				EBITDA	$1,439 $16,767 / $5,965	$1,298 $14,085 / $5,575
				Revenue multiple	0.2x 0.7x / 0.5x	0.3x 0.7x / 0.6x
				Revenue	$15,223 $30,502 / $24,626	$15,528 $30,561 / $24,780
	19,148	19,028	Yield Analysis	Discount Rate	16.7% 23.7% / 19.9%	19.8% 21.3% / 20.6%
Secured second lien debt	**85,051**(B)	87,360(B)	TEV	EBITDA multiple	3.4x 8.0x / 6.7x	3.3x 6.8x / 6.2x
				EBITDA	$2,434 $9,597 / $6,580	$2,683 $8,795 / $6,827
				Revenue multiple	0.9x 0.9x / 0.9x	0.9x 0.9x / 0.9x
				Revenue	$19,765 $19,765 / $19,765	$21,439 $21,439 / $21,439
	11,975	9,979	Yield Analysis	Discount Rate	11.3% 11.3% / 11.3%	19.4% 20.9% / 19.5%
Preferred equity(C)	**200,252**	167,150	TEV	EBITDA multiple	3.4x 8.0x / 6.2x	3.3x 8.3x / 6.0x
				EBITDA	$1,439 $16,767 / $5,674	$1,298 $14,085 / $5,344
				Revenue multiple	0.2x 0.9x / 0.7x	0.3x 0.9x / 0.7x
				Revenue	$15,223 $30,502 / $24,631	$15,528 $30,561 / $25,303
Common equity/equivalents(D)(E)	**15,003**	28,608	TEV	EBITDA multiple	5.1x 6.4x / 5.8x	4.9x 6.2x / 5.6x
				EBITDA	$1,439 $5,705 / $2,613	$1,298 $5,842 / $2,491
				Revenue multiple	0.2x 0.9x / 0.2x	0.3x 0.9x / 0.3x
				Revenue	$15,223 $ 19,765 / $15,234	$15,528 $21,439 / $15,543
Total	**$628,606**	$598,953				

(A) Fair value as of June 30, 2018 includes one new proprietary debt investment of $23.0 million, which was valued at cost using the transaction price as the unobservable input. Fair value as of March 31, 2018 includes two new proprietary debt investments for a combined $14.5 million, which were valued at cost using the transaction price as the unobservable input, and one proprietary debt investment of $10.0 million, which was valued at the expected payoff amount as the unobservable input.

(B) Fair value as of both June 30, 2018 and March 31, 2018 includes one proprietary debt investment of $13.0 million, which was valued at the expected payoff amount as the unobservable input.

(C) Fair value as of June 30, 2018 includes one new proprietary equity investment of $4.9 million, which was valued at cost using the transaction price as the unobservable input. Fair value as of March 31, 2018 includes one proprietary equity investment of $3.4 million, which was valued at the expected payoff amount as the unobservable input.

(D) Fair value as of June 30, 2018 includes one proprietary equity investment of $2.4 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2018 includes two proprietary equity investments for a combined $17.6 million, which were valued at the expected payoff amount as the unobservable input.

(E) Fair value as of both June 30, 2018 and March 31, 2018 excludes our investment in Funko with a fair value of $0.7 million and $0.2 million, respectively, which was valued using Level 2 inputs.

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 months ended June 30, 2018 and 2017 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 June 30, 2018:					
Fair value as of March 31, 2018	**$ 305,856**	**$ 97,339**	**$ 167,150**	**$ 28,608**	**$ 598,953**
Total gain (loss):					
Net realized gain(A)				13,786	13,786
Net unrealized appreciation (depreciation)(B)	155	(568)	31,578	1,140	32,305
Reversal of previously recorded appreciation upon realization(B)	(74)			(14,681)	(14,755)
New investments, repayments and settlements(C):					
Issuances / originations	24,902	255	4,900		30,057
Settlements / repayments	(14,514)				(14,514)
Sales			(3,376)	(13,850)	(17,226)
Transfers					
Fair value as of June 30, 2018	**$ 316,325**	**$ 97,026**	**$ 200,252**	**$ 15,003**	**$ 628,606**

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
<u>Three months ended June 30, 2017:</u>					
Fair value as of March 31, 2017	**$ 268,150**	**$ 95,040**	**$ 113,515**	**$ 21,441**	**$ 498,146**
Total gain (loss):					
Net realized gain(A)			957		957
Net unrealized appreciation (depreciation)(B)	(638)	212	1,128	1,105	1,807
Reversal of previously recorded (appreciation) depreciation upon realization(B)	1,881	(1,670)	(1,113)	777	(125)
New investments, repayments and settlements(C):					
Issuances / originations	10,540	2	987		11,529
Settlements / repayments	(8,602)	(13,660)			(22,262)
Sales			(3,748)	(805)	(4,553)
Transfers					
Fair value as of June 30, 2017	**$ 271,331**	**$ 79,924**	**$ 111,726**	**$ 22,518**	**$ 485,499**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the respective periods ended June 30, 2018 and 2017.

(B) Included in net unrealized appreciation (depreciation) of investments on our accompanying *Consolidated Statements of Operations* for the periods ended June 30, 2018 and 2017.

(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.

Investment Activity

During the three months ended June 30, 2018, the following significant transactions occurred:

In April 2018, we invested $29.2 million in Bassett Creek Restoration, Inc. (d/b/a J.R. Johnson, LLC) (Bassett Creek) through a combination of secured first lien debt and preferred equity. Bassett Creek, headquartered in Portland, Oregon, is a leading provider of commercial restoration and renovation services to the Oregon and Southwest Washington region.

In June 2018, we sold our investment in Drew Foam Companies, Inc., which resulted in dividend and success fee income of $0.2 million and a realized gain of $13.8 million. In connection with the sale, we received net cash proceeds of $27.3 million, including the repayment of our debt investment of $9.9 million at par.

Investment Concentrations

As of June 30, 2018, our investment portfolio consisted of investments in 33 portfolio companies located in 16 states across 17 different industries with an aggregate fair value of $629.3 million. Our investments in Cambridge Sound

Management, Inc., Nth Degree, Inc., Brunswick Bowling Products, Inc., J.R. Hobbs Co. Atlanta, LLC, and ImageWorks Display and Marketing Group, Inc. represented our five largest portfolio investments at fair value, and collectively comprised $204.7 million, or 32.5%, of our total investment portfolio at fair value.

The following table summarizes our investments by security type as of June 30, 2018 and March 31, 2018:

	June 30, 2018				March 31, 2018			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$ 331,690**	**55.6%**	**$ 316,325**	**50.3%**	$ 321,303	54.9%	$ 305,856	51.0%
Secured second lien debt	**110,738**	**18.6**	**97,026**	**15.4**	110,484	18.9	97,339	16.2
Total debt	**442,428**	**74.2**	**413,351**	**65.7**	431,787	73.8	403,195	67.2
Preferred equity	**152,233**	**25.4**	**200,252**	**31.8**	150,708	25.8	167,150	28.0
Common equity/equivalents	**2,288**	**0.4**	**15,715**	**2.5**	2,351	0.4	28,802	4.8
Total equity/equivalents	**154,521**	**25.8**	**215,967**	**34.3**	153,059	26.2	195,952	32.8
Total investments	**$ 596,949**	**100.0%**	**$ 629,318**	**100.0%**	$ 584,846	100.0%	$ 599,147	100.0%

Investments at fair value consisted of the following industry classifications as of June 30, 2018 and March 31, 2018:

	June 30, 2018		March 31, 2018	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Services	**$ 170,846**	**27.1%**	$ 136,719	22.8%
Home and Office Furnishings, Housewares, and Durable Consumer Products	**145,873**	**23.2**	128,529	21.5
Leisure, Amusement, Motion Pictures, and Entertainment	**45,185**	**7.2**	43,048	7.2
Personal and Non-Durable Consumer Products (Manufacturing Only)	**40,454**	**6.4**	42,836	7.1
Diversified/Conglomerate Manufacturing	**35,081**	**5.6**	29,942	5.0
Chemicals, Plastics, and Rubber	**24,618**	**3.9**	55,740	9.3
Farming and Agriculture	**24,019**	**3.8**	21,483	3.6
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic)	**21,795**	**3.5**	21,915	3.7
Containers, Packaging, and Glass	**21,391**	**3.4**	21,387	3.6
Textiles and Leather	**20,103**	**3.2**	19,407	3.2
Aerospace and Defense	**15,695**	**2.5**	12,457	2.1
Cargo Transport	**15,384**	**2.4**	15,816	2.6
Telecommunications	**14,000**	**2.2**	14,000	2.3
Automobile	**12,514**	**2.0**	13,830	2.3
Beverage, Food, and Tobacco	**11,549**	**1.8**	11,605	1.9
Other < 2.0%	**10,811**	**1.8**	10,433	1.8
Total investments	**$ 629,318**	**100.0%**	$ 599,147	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of June 30, 2018 and March 31, 2018:

	June 30, 2018		March 31, 2018	
	Fair Value	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
South	**$ 200,546**	**31.9%**	$ 221,725	37.0%
Northeast	**200,378**	**31.8**	188,911	31.5
West	**164,834**	**26.2**	133,774	22.3
Midwest	**63,560**	**10.1**	54,737	9.2
Total investments	**$ 629,318**	**100.0%**	$ 599,147	100.0%

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

Investment Principal Repayments

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2018:

		Amount
For the remaining nine months ending March 31:	2019	$ 63,881
For the fiscal years ending March 31:	2020	102,913
	2021	60,410
	2022	80,696
	2023	86,990
	Thereafter	47,618
	Total contractual repayments	**$ 442,508**
	Adjustments to cost basis of debt investments	(80)
	Investments in equity securities	154,521
	Total cost basis of investments held as of June 30, 2018:	**$ 596,949**

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 both June 30, 2018 and March 31, 2018, we had gross receivables from portfolio companies of $0.7 million. The allowance for uncollectible receivables was $0.4 million and $0.2 million as of June 30, 2018 and March 31, 2018, 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 10, 2018, 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, 2019.

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Lee 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.

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 June 30, 2018	2017
Average total assets subject to base management fee[A]	**$ 622,200**	$ 503,200
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee[B]	**3,111**	2,516
Credits to fees from Adviser other[B]	**(960)**	(548)
Net base management fee	**$ 2,151**	$ 1,968
Loan servicing fee[B]	**$ 1,740**	$ 1,564
Credits to base management fee loan servicing fee[B]	**(1,740)**	(1,564)
Net loan servicing fee	**$**	$
Incentive fee income-based	**$ 1,078**	$ 1,172
Incentive fee capital gains-based[C]	**6,508**	
Total incentive fee[B]	**7,586**	1,172
Credits to fees from Adviser other[B]		
Net total incentive fee	**$ 7,586**	$ 1,172

(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 $71 and $56 for the three month periods ended June 30, 2018 and 2017, respectively, 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 the 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 June 30, 2018, 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. During the three months ended June 30, 2018, we recorded a capital gains-based incentive fee of $6.5 million, which is not contractually due under the terms of the Advisory Agreement. We did not record a capital gains-based incentive fee during the three months ended June 30, 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, general counsel, and secretary), 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. On July 10, 2018, our Board of Directors, including a majority of the directors who are not parties to the Administration Agreement or interested persons of either party, approved the annual renewal of the Administration Agreement through August 31, 2019.

Other Transactions

Gladstone Securities, LLC (Gladstone Securities), which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, is a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation and, from time to time, provides 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 during the three months ended June 30, 2018. Gladstone Securities did not receive any fees from portfolio companies during the three months ended June 30, 2017.

Related Party Fees Due

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

	As of June 30, 2018	As of March 31 2018
Base management and loan servicing fee due to Adviser, net of credits	**$ 800**	$ 540
Incentive fee due to Adviser[A]	**11,986**	6,122
Other due to Adviser		9
Total fees due to Adviser	**$ 12,786**	$ 6,671
Fee due to Administrator	**$ 285**	$ 317
Total related party fees due	**$ 13,071**	$ 6,988

[A] Includes a capital gains-based incentive fee of $10.9 million and $4.4 million as of June 30, 2018 and March 31, 2018, 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 $15 and $16 as of June 30, 2018 and March 31, 2018, 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 June 30, 2018 and March 31, 2018.

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.

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

	As of June 30, 2018	As of March 31, 2018
Commitment amount	**$ 165,000**	$ 165,000
Borrowings outstanding at cost	**102,500**	107,000
Availability[(A)]	**62,500**	58,000

	For the Three Months Ended June 30,	
	2018	**2017**
Weighted-average borrowings outstanding	**$ 123,275**	$ 42,148
Effective interest rate[(B)]	**5.4%**	6.1%
Commitment (unused) fees incurred	**$ 53**	$ 191

(A) Availability is subject to various constraints, characteristics and applicable advance rates based oncollateral quality under the Credit Facility, which equated to an adjusted availability of $59.5 millionand $53.8 million as of June 30, 2018 and March 31, 2018, respectively.

(B) Excludes the impact of deferred financing costs and includes 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 $210.0 million or $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 $222.2 million as of June 30, 2018, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200% (or such higher percentage as may be set forth in Section 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 June 30, 2018, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $514.7 million, asset coverage on our senior securities representing indebtedness of 566.8%, 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 June 30, 2018, we were in compliance with all covenants under the Credit Facility.

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 both June 30, 2018 and March 31, 2018, the discount rate used to determine the fair value of the Credit Facility was 30-day LIBOR, plus 2.85% per annum, plus an unused fee of 0.5%. 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 June 30, 2018 and March 31, 2018, the Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in Net unrealized depreciation of other on our accompanying *Consolidated Statements of Operations*.

The following tables provide relevant information and disclosures about the Credit Facility as of June 30, 2018 and March 31, 2018, and for the three months ended June 30, 2018 and 2017, as required by ASC 820:

	Level 3 Borrowings Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Using Significant Unobservable Inputs (Level 3)	
	June 30, 2018	**March 31, 2018**
Credit Facility	**$ 102,907**	$ 107,500

Fair Value Measurements of Borrowings Using Significant Unobservable Inputs (Level 3) Reported in *Consolidated Statements of Assets and Liabilities*	
	Credit Facility
Three months ended June 30, 2018:	
Fair value at March 31, 2018	$ 107,500
Borrowings	37,900
Repayments	(42,400)
Unrealized depreciation	(93)
Fair value at June 30, 2018	**$ 102,907**
Three months ended June 30, 2017:	
Fair value at March 31, 2017	$ 69,700
Borrowings	9,400
Repayments	(45,100)
Fair value at June 30, 2017	$ 34,000

The fair value of the collateral under the Credit Facility was $533.0 million and $504.0 million as of June 30, 2018 and March 31, 2018, 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 June 30, 2018 and March 31, 2018:

As of June 30, 2018:

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							**(3,339)**
Term preferred stock, net(C)							**$ 135,811**

As of March 31, 2018:

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							**(3,535)**
Term preferred stock, net(C)							**$ 135,615**

(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 June 30, 2018 and March 31, 2018, asset coverage on our senior securities that are stock calculated pursuant to Sections 18 and 61 of the 1940 Act was 250.2% and 237.3%, 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.*

The following tables summarize dividends declared by our Board of Directors and paid by us on our Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock during the three months ended June 30, 2018 and 2017:

For the Three Months Ended June 30, 2018:

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
April 10, 2018	April 20, 2018	April 30, 2018	$ 0.140625	$ 0.135417	$ 0.13020833
April 10, 2018	May 22, 2018	May 31, 2018	0.140625	0.135417	0.13020833
April 10, 2018	June 20, 2018	June 29, 2018	0.140625	0.135417	0.13020833
		Total	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

For the Three Months Ended June 30, 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
April 11, 2017	April 21, 2017	April 28, 2017	$ 0.140625	$ 0.135417	$ 0.13020833
April 11, 2017	May 19, 2017	May 31, 2016	0.140625	0.135417	0.13020833
April 11, 2017	June 21, 2017	June 30, 2017	0.140625	0.135417	0.13020833
		Total	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

The federal income tax characteristics of dividends paid to our preferred stockholders generally constitute ordinary income or capital gains to the extent of our current and accumulated earnings and profits and is reported after the end of the calendar year based on tax information for the full fiscal year. Estimates of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of dividends for the full year. Estimates made on a quarterly basis are updated as of each interim reporting date. If we determined the tax characterization of dividends paid to preferred stockholders in the current calendar year as of June 30, 2018, 89.0% would be from ordinary income and 11.0% would be from capital gains.

In accordance with ASC Topic 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities on the balance sheet and we have recorded our mandatorily redeemable preferred stock at cost, which equals the liquidation preference, less discounts, as of June 30, 2018 and March 31, 2018. The related dividend payments to preferred stockholders are treated as dividend expense on our accompanying

Consolidated Statements of Operations on the ex-dividend date.

The following table summarizes the fair value of each of our series of mandatorily redeemable preferred stock based on the last reported closing sale price as of June 30, 2018 and March 31, 2018, each of which we consider to be a Level 1 input within the fair value hierarchy: