GLADSTONE INVESTMENT CORPORATION\DE
Form 497
August 16, 2018
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PROSPECTUS SUPPLEMENT

(to Prospectus dated July 13, 2018)

2,600,000 Shares

6.375% Series E Cumulative Term Preferred Stock due 2025

(Liquidation Preference $25.00 per Share)

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company 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 under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). 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 are offering 2,600,000 shares of our 6.375% Series E Term Cumulative Preferred Stock due 2025 (the Series E Term Preferred Stock). We will pay monthly dividends on the Series E Term Preferred Stock at an annual rate of 6.375% of the $25.00 liquidation preference per share, or $1.5938 per share of Series E Term Preferred Stock per year, on or about the last business day of each month, as declared by our Board of Directors, commencing on September 28, 2018.

We are required to redeem all of the outstanding Series E Term Preferred Stock on August 31, 2025 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. We will also be required to redeem Series E Term Preferred Stock 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 the event of certain events that constitute a change of control of the Company. If we fail to maintain an asset coverage as required by Sections 18 and 61 of the 1940 Act (which is currently 200% and will be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders), we will redeem a sufficient number of shares of our then-outstanding shares of preferred stock (currently outstanding and any future issuances of preferred stock, collectively, the Preferred Stock) in an amount at least equal to the lesser of (1) the minimum number of shares of Preferred Stock necessary to cause us to meet our required asset coverage and (2) the maximum number of Preferred Stock that we can redeem out of cash legally available for such redemption. At any time on or after August 31, 2020, at our sole option, we may redeem the Series E Term Preferred Stock at a redemption price of $25.00 per share of Series E Term Preferred Stock, plus any accumulated but unpaid dividends, if any, on the Series E Term Preferred Stock up to, but excluding, the date of redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series E Term Preferred Stock on August 31, 2025 without the prior unanimous consent of the holders of Series E Term Preferred Stock.

Each holder of our Series E Term Preferred Stock (and any other then-outstanding Preferred Stock we have issued or may issue in the future) will be entitled to one vote for each share held by such holder on any matter submitted to a vote of our stockholders, and the holders of all of our outstanding Preferred Stock and common stock will generally vote together as a single class. The holders of the our Preferred Stock, voting separately as a single class, will elect two of our directors and, upon our failure to pay dividends for at least two years, will elect a majority of our directors. The Series E Term Preferred Stock will rank equally in right of payment with all other shares of Preferred Stock and will rank senior in right of payment to our outstanding common stock.

We have applied to have the Series E Term Preferred Stock listed on Nasdaq under the symbol GAINL. Our common stock is traded on Nasdaq under the symbol GAIN. On August 13, 2018, the last sale price of our common stock, Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock as reported on Nasdaq was $11.97 per share, $25.33 per share, $25.31 per share and $25.28 per share, respectively. The Series E Term Preferred Stock has no trading history and will not be convertible into our common stock or any other security of our company.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Series E Term Preferred 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 (866) 366-5745 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. The information contained in, or that can be accessed through, our website is not part of this prospectus supplement or the accompanying prospectus. See *Where You Can Find More Information* on page S-65 of this prospectus supplement.

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 the Series E Term Preferred Stock involves a high degree of risk, including, among other things, the risk of leverage and risks relating to investments in securities of small, private and developing businesses. You could lose some or all of your investment. You should carefully consider each of the factors described under Risk Factors beginning on page S-11 of this prospectus supplement and beginning on page 13 of the accompanying prospectus before you invest in the Series E Term Preferred Stock.

The SEC, has not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL[2]
Public offering price	$ 25.00	$ 65,000,000
Underwriting discounts and commissions (sales load)	$ 0.78125	$ 2,031,250
Proceeds, before expenses, to us[1]	$ 24.21875	$ 62,968,750

(1) Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $0.3 million.

(2) We have granted the underwriters a 30-day option to purchase up to an additional 390,000 shares of Series E Term Preferred Stock from us on the same terms and conditions set forth above solely to cover over-allotments, if any. If such option is exercised in full, the total public offering price will be $74.8 million, the total underwriting discounts and commissions will be $2.3 million and total proceeds, before expenses, to us would be $72.4 million. See *Underwriting* on page S-59 of this prospectus supplement for additional information with respect to arrangements with the underwriters, including stabilizing transactions and other transactions that affect the price of the Series E Term Preferred Stock.

The underwriters expect to deliver the Series E Term Preferred Stock on or about August 22, 2018.

Joint Book-Running Managers

BMO Capital Markets **Janney Montgomery Scott** **Ladenburg Thalmann**

Lead Manager

B. Riley FBR

Co-Managers

J.J.B. Hilliard, W.L. Lyons, LLC Wedbush Securities William Blair National Securities Corporation Boenning and Scattergood, Inc.

Prospectus Supplement dated August 14, 2018

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement, together with the accompanying prospectus, sets forth the information that you should know before investing. You should read the prospectus supplement and accompanying prospectus, which contain important information, before deciding whether to invest in the Series E Term Preferred Stock.

This prospectus supplement, which describes the specific terms of this offering, also adds to and updates information contained in the accompanying prospectus. The accompanying prospectus gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement. However, if any statement in one of these documents is inconsistent with a statement in another document having a later date, the statement in the document having the later date modifies or supersedes the earlier statement.

The Series E Term Preferred Stock does not represent a deposit or obligation of, and is not guaranteed or endorsed by, any bank or other insured depository institution, and is not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. Neither we nor the underwriters have authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. The information appearing in this prospectus supplement, the accompanying prospectus is accurate only as of the respective dates of such information regardless of the time of delivery or any sale of the Series E Term Preferred Stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not, and the underwriters are not, making an offer to sell the Series E Term Preferred Stock in any jurisdiction where such an offer or sale is not permitted.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information included in this prospectus supplement and in the accompanying prospectus. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Company s Certificate of Designation of 6.375% Series E Cumulative Term Preferred Stock of Gladstone Investment Corporation, or the Certificate of Designation, the form of which is attached as Appendix A to this prospectus supplement, and especially the information set forth under the headings Risk Factors prior to making an investment in the Series E Term Preferred Stock. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the terms we, us, our and the Company, refer to Gladstone Investment Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; Gladstone Commercial refers to Gladstone Commercial Corporation; Gladstone Capital refers to Gladstone Capital Corporation; Gladstone Land refers to Gladstone Land Corporation; Gladstone Securities refers to Gladstone Securities, LLC; and Gladstone Companies refers to our Adviser and its affiliated companies. Capitalized terms used but not defined in this prospectus supplement or accompanying prospectus have the meanings given to such terms in the Certificate of Designation. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their over-allotment option.

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 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). 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.

As of August 13, 2018, we had 32,822,459 shares of Common Stock outstanding, 1,656,000 shares of Series B Term Preferred Stock outstanding, 1,610,000 shares of Series C Term Preferred Stock outstanding and 2,300,000 shares of Series D 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 and all shares of our outstanding Series D Term Preferred Stock on September 30, 2023.

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, a publicly-traded real estate investment trust; Gladstone Capital, a publicly-traded BDC and RIC; and Gladstone Land, a publicly-traded real estate investment trust (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 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 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.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. In July 2012, the U.S. Securities and Exchange Commission (SEC) granted us an exemptive order (the Co-Investment Order) that expanded our ability to co-invest, under certain circumstances, with

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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 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.

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.

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Pursuant to 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

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.

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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**

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THE OFFERING

The following is a brief summary of some of the terms of this offering. For a more complete description of the rights, preferences and other terms of the Series E Term Preferred Stock, see *Description of the Series E Term Preferred Stock* in this prospectus supplement and the Certificate of Designation.

Issuer	Gladstone Investment Corporation
Securities Offered	2,600,000 shares of Series E Term Preferred Stock, or 2,990,000 shares if the underwriters exercise their over-allotment option in full.
Listing	We have applied to list the Series E Term Preferred Stock on Nasdaq under the symbol GAINL. Trading on the Series E Term Preferred Stock is expected to begin within 30 days after the date of this prospectus supplement, though there is no assurance that trading of the Series E Term Preferred Stock will commence within this timeframe, or at all. Prior to the expected commencement of trading on Nasdaq, the underwriters may make a market in the Series E Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice.
Liquidation Preference	$25.00 per share, plus accumulated but unpaid dividends, if any. In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series E Term Preferred Stock will be entitled to receive a liquidation distribution equal to $25.00 per share (which we refer to in this prospectus supplement as the Liquidation Preference), plus an amount equal to all accumulated but unpaid dividends and distributions, if any, up to, but excluding, the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest on any such distribution or payment. See *Description of the Series E Term Preferred Stock Liquidation Rights*.
Dividends	The Series E Term Preferred Stock will pay a monthly dividend at a fixed annual rate of 6.375% of the Liquidation Preference, or $1.5938 per share per year, which we refer to as the Fixed Dividend Rate. The Fixed Dividend Rate is subject to adjustment under certain circumstances, but will not in any case be lower than $1.5938 per share per year.
	Cumulative cash dividends or distributions on each Series E Term Preferred Share will be payable monthly, when, as and if declared by our

Board of Directors or a duly authorized committee of our Board of Directors out of funds legally available for such payment. The first dividend period for the Series E Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering , which we refer to as the Date of Original Issue, and will end on September 30, 2018.

Ranking

The shares of Series E Term Preferred Stock are senior securities that constitute capital stock of the Company.

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The Series E Term Preferred Stock ranks:

- senior to the Common Stock in priority of payment of dividends and as to the distribution of assets upon dissolution, liquidation or the winding-up of our affairs;
- equal in priority with all other series of Preferred Stock we have issued or may issue in the future as to priority of payment of dividends and as to distributions of assets upon dissolution, liquidation or the winding-up of our affairs; and
- effectively subordinated to our existing and future indebtedness, including borrowings under the Credit Facility as defined below.

We may issue additional shares of Preferred Stock, but we may not issue additional classes of capital stock that rank senior to the Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock or Series E Term Preferred Stock as to priority of payment of dividends and as to distribution of assets upon dissolution, liquidation or winding-up of our affairs. We may, however, borrow funds from banks and other lenders so long as the ratio of (1) the value of total assets less the total borrowed amounts to (2) the sum of all senior securities representing indebtedness and the number of shares of outstanding Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and Series E Term Preferred Stock multiplied by $25.00 per share is not less than the minimum amount required by applicable law then in effect.

Mandatory Term Redemption

We are required to redeem all outstanding Series E Term Preferred Stock on August 31, 2025 (the Mandatory Term Redemption Date), at a redemption price equal to the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series E Term Preferred Stock pursuant to the mandatory redemption required on August 31, 2025, or in any other circumstance in which we are required to redeem the Series E Term Preferred Stock, then the Fixed Dividend Rate will increase by three percent (3.00%) for so long as such failure continues. See *Description of the Series E Term Preferred Stock Redemption* and *Voting Rights*.

Mandatory Redemption for Asset Coverage	If we fail to maintain Asset Coverage (as defined below) of at least the minimum amount required by applicable law in effect as of the time of declaration of dividends on the Series E Term Preferred Stock as required by Sections 18 and 61 of the 1940 Act (which is currently 200% and will become 150% effective April 10, 2019, unless earlier approved by the Company s stockholders and subject to certain disclosure requirements), after deducting the amount of such dividend or as of the time of purchase of the Company s common stock or issuance of any senior security as defined in the 1940 Act that is

stock, and such failure is not cured by the close of business on the date that is 90 calendar days following the date of such failure (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within 90 calendar days after the Asset Coverage Cure Date, shares of Preferred Stock equal to the lesser of (1) the minimum number of shares of Preferred Stock that will result in our having Asset Coverage as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019 unless earlier approved by the Company s stockholders), and (2) the maximum number of shares of Preferred Stock that can be redeemed out of funds legally available for such redemption, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having Asset Coverage of up to and including a percentage that is 50% higher than the asset coverage as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019 unless earlier approved by the Company s stockholders). The Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock, Series E Term Preferred Stock and other series of Preferred Stock. If shares of Series E Term Preferred Stock are to be redeemed in such an event, they will be redeemed at a redemption price equal to the Liquidation Preference, plus accumulated but unpaid dividends, if any, on such shares (whether or not declared, but excluding interest on accumulated but unpaid dividends, if any) to, but excluding, the date fixed for such redemption.

Asset Coverage for purposes of our Preferred Stock is calculated in accordance with Sections 18 and 61 of the 1940 Act, as in effect on the date of determination, and is determined on the basis of values calculated as of a time within 48 hours (only including Business Days) preceding each determination. We estimate that, on the Date of Original Issue, our Asset Coverage, based on the composition and value of our portfolio as of June 30, 2018, and after giving effect to (1) the issuance of the Series E Term Preferred Stock offered in this offering, and (2) the payment of underwriting discounts and commissions of $2.0 million and estimated related offering costs payable by us of approximately $0.3 million, would have been 218.3% prior to the activity noted in the *Use of Proceeds* section. We estimate that following our expected use of proceeds, which assumes the full redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock within 45 days of the completion of this offering, our Asset Coverage would be 247.9%. See *Description of the Series E Term Preferred Stock Asset Coverage*.

Optional Redemption	At any time on or after August 31, 2020, at our sole option, we may redeem the Series E Term Preferred Stock in whole or from time to time, in part, out of funds legally available for such redemption, at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. See *Description of the Series E Term Preferred Stock Redemption Optional Redemption*.
Change of Control Redemption	If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series E Term Preferred Stock, we will be required to redeem all of the outstanding Series E Term Preferred Stock at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. For the definition of Change of Control Triggering Event and additional information concerning the redemption of the Series E Term Preferred Stock in connection with such events, see *Description of the Series E Term Preferred Stock Redemption Change of Control*.
Voting Rights	Except as otherwise provided in our Amended and Restated Certificate of Incorporation or as otherwise required by law, (1) each holder of Preferred Stock (including the Series E Term Preferred Stock) will be entitled to one vote for each share of Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Preferred Stock and Common Stock will vote together as a single class; provided, that holders of Preferred Stock, voting separately as a class, will be entitled to elect two of our directors and, if we fail to pay dividends on any outstanding shares of Preferred Stock in an amount equal to two full years of dividends and continuing until such failure is corrected, will be entitled to elect a majority of our directors. Preferred Stock holders will also vote separately as a class on any matter that materially and adversely affects any preference, right or power of holders of Preferred Stock. See *Description of the Series E Term Preferred Stock Voting Rights*.
Conversion Rights	The Series E Term Preferred Stock will have no conversion rights.
Use of Proceeds	We intend to use the net proceeds from this offering of approximately $62.7 million (after the payment of underwriting discounts and commissions of $2.0 million and estimated offering expenses payable by us of approximately $0.3 million), plus borrowings under our Credit Facility, to redeem all outstanding shares of our Series B Term Preferred

Stock and Series C Term Preferred Stock and for other general corporate purposes. See *Use of Proceeds*.

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U.S. Federal Income Taxes	Prospective investors are urged to consult their own tax advisors regarding the tax considerations relevant to holders of the Series E Term Preferred Stock in light of their personal investment circumstances.
	We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not expect to be subject to corporate-level U.S. federal income tax with respect to our ordinary taxable income.
	The dividends on the Series E Term Preferred Stock generally will not qualify for the dividends received deduction or for taxation at reduced rates applicable to qualified dividend income.
Risk Factors	Investing in the Series E Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections entitled *Risk Factors* beginning on page S-11 of this prospectus supplement and page 13 of the accompanying prospectus before deciding whether to invest in our Series E Term Preferred Stock.
Information Rights	During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and any shares of Series E Term Preferred Stock are outstanding, we will provide holders of Series E Term Preferred Stock, without cost, copies of annual reports and quarterly reports substantially similar to the reports on Form 10-K and Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.
Redemption and Paying Agent	We have entered into an amendment to our Transfer Agency and Service Agreement with Computershare, Inc. (Computershare), which we refer to as the Redemption and Paying Agent in this prospectus supplement. Under this amendment, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series E Term Preferred Stock.

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RISK FACTORS

You should carefully consider the risks described below, and the risks described in Risk Factors beginning on page 13 of the accompanying prospectus, before deciding to invest in the Series E Term Preferred Stock. The risks and uncertainties described below and in the accompanying prospectus are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance and the value of the Series E Term Preferred Stock. If any of the following risks or the risks described in the accompanying prospectus actually occur, our business, financial condition or results of operations could be materially adversely affected, and the value of the Series E Term Preferred Stock may be impaired. If that happens, the trading price of the Series E Term Preferred Stock could decline, and you may lose all or part of your investment.

Risks of Investing in Preferred Stock

We may be unable to use the net proceeds from this offering to redeem our Series B Term Preferred Stock and Series C Term Preferred Stock within the time period that we anticipate or at all, which could adversely affect our financial condition and results of operations and increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act.

We intend to use the net proceeds from this offering plus borrowings under our Credit Facility to redeem all outstanding shares of our Series B Term Preferred Stock and Series C Term Preferred Stock and for other general corporate purposes. We anticipate that substantially all of the net proceeds of this offering will be utilized in this manner within three months of the completion of this offering. However, we cannot assure you that we will be able to redeem the Series B Term Preferred Stock and Series C Term Preferred Stock within this time period or at all. Any delay or failure to use the net proceeds from this offering to redeem the Series B Term Preferred Stock and Series C Term Preferred Stock could adversely affect our financial condition and results of operations and increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, as described below under *Our amount of senior securities that are stock outstanding will increase as a result of this offering if we are unable to redeem shares of our Series B Term Preferred Stock and Series C Term Preferred Stock within the time period that we anticipate or at all, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.*

An investment in term preferred stock with a fixed interest rate bears interest rate risk.

Term preferred stock, including the Series E Term Preferred Stock, pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities comparable to the Series E Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Series E Term Preferred Stock prior to the Mandatory Term Redemption Date. This risk may be even more significant in light of currently low prevailing market interest rates. For additional information concerning dividends on the Series E Term Preferred Stock, see *Description of the Series E Term Preferred Stock Dividends and Dividend Periods*.

There is no guarantee that the Series E Term Preferred Stock will be approved for listing on Nasdaq, there may be no initial secondary trading market due to delayed listing, and even after listing a liquid secondary trading market may not develop.

We have applied to list the Series E Term Preferred Stock on Nasdaq, and we do not know when the Series E Term Preferred Stock will be approved for listing, if at all. If approved, we expect the Series E Term Preferred Stock to begin trading on Nasdaq within 30 days of the date of this prospectus supplement, though there can be no assurance that the Series E Term Preferred Stock will begin trading within this period, or at all. During the time the Series E Term Preferred Stock is not listed on Nasdaq, the underwriters may make a market in the Series

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E Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice. Consequently, an investment in the Series E Term Preferred Stock during this period may be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that an active secondary market for the Series E Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series E Term Preferred Stock may be able to sell such shares only at substantial discounts from the Liquidation Preference. We cannot accurately predict the trading patterns of the Series E Term Preferred Stock, including the effective costs of trading the stock.

Even if our Series E Term Preferred Stock begins trading on Nasdaq, there is also a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features. If an active trading market does develop, the Series E Term Preferred Stock may trade at prices lower than the initial offering price. The trading price of the Series E Term Preferred Stock would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

The Series E Term Preferred Stock will not be rated.

We do not intend to have the Series E Term Preferred Stock rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, there is a risk that the Series E Term Preferred Stock may trade at a price that is lower than it might otherwise trade if rated by a rating agency. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series E Term Preferred Stock. In addition, we may elect to issue other securities for which we may seek to obtain a rating. If any ratings are assigned to the Series E Term Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series E Term Preferred Stock.

The Series E Term Preferred Stock will bear a risk of early redemption by us.

We may voluntarily redeem some or all of the Series E Term Preferred Stock on or after August 31, 2020, which is five years before the Mandatory Term Redemption Date. We also may be forced to redeem some or all of the Series E Term Preferred Stock to meet regulatory requirements and the Asset Coverage requirements. We are also required to redeem all of the Series E Term Preferred Stock upon a Change of Control Triggering Event. Any such redemptions may occur at a time that is unfavorable to holders of the Series E Term Preferred Stock. We may have an incentive to redeem the Series E Term Preferred Stock voluntarily before the Mandatory Term Redemption Date if market conditions allow us to issue other Preferred Stock or debt securities at a rate that is lower than the Fixed Dividend Rate on the Series E Term Preferred Stock, or for other reasons. For further information regarding our ability to redeem the Series E Term Preferred Stock, see *Description of the Series E Term Preferred Stock Optional Redemption* and *Asset Coverage*.

Claims of holders of the Series E Term Preferred Stock will be subject to a risk of subordination relative to holders of our debt instruments.

Rights of holders of the Series E Term Preferred Stock will be subordinated to the rights of holders of our current and any future indebtedness, including the Credit Facility. Even though the Series E Term Preferred Stock will be

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classified as a liability for purposes of accounting principles generally accepted in the U.S. (GAAP) and considered senior securities under the 1940 Act, the Series E Term Preferred Stock are not debt instruments. Therefore, dividends, distributions and other payments to holders of Preferred Stock in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. In addition, under some circumstances the 1940 Act may provide debt holders with voting rights that are superior to the voting rights of holders of the Series E Term Preferred Stock.

We are subject to risks related to the general credit crisis and related liquidity risks.

General market uncertainty and extraordinary conditions in the credit markets may impact the liquidity of our investment portfolio. In turn, during extraordinary circumstances, this uncertainty could impact our distributions and/or ability to redeem the Series E Term Preferred Stock in accordance with their terms. Further, there may be market imbalances of sellers and buyers of Series E Term Preferred Stock during periods of extreme illiquidity and volatility in the credit markets. Such market conditions may lead to periods of thin trading in any secondary market for the Series E Term Preferred Stock and may make valuation of the Series E Term Preferred Stock uncertain. As a result, the spread between bid and ask prices is likely to increase significantly such that, if you invest in the Series E Term Preferred Stock, you may have difficulty selling your shares. Less liquid and more volatile trading environments could also result in sudden and significant valuation declines in the Series E Term Preferred Stock.

Holders of the Series E Term Preferred Stock will be subject to inflation risk.

Inflation is the reduction in the purchasing power of money resulting from the increase in the price of goods and services. Inflation risk is the risk that the inflation-adjusted, or real, value of an investment in Preferred Stock or the income from that investment will be worth less in the future. As inflation occurs, the real value of the Series E Term Preferred Stock and dividends payable on such shares declines.

Holders of the Series E Term Preferred Stock will bear reinvestment risk.

Given the seven-year term and potential for early redemption of the Series E Term Preferred Stock, holders of such shares may face an increased reinvestment risk, which is the risk that the return on an investment purchased with proceeds from the sale or redemption of the Series E Term Preferred Stock may be lower than the return previously obtained from the investment in such shares.

Holders of the Series E Term Preferred Stock will bear dividend risk.

We may be unable to pay dividends on the Series E Term Preferred Stock under some circumstances. The terms of our indebtedness, including the Credit Facility, preclude the payment of dividends in respect of equity securities, including the Series E Term Preferred Stock, under certain conditions. See *Liquidity and Capital Resources Revolving Line of Credit*.

We face Asset Coverage risks in our investment activities.

The Asset Coverage that we maintain on our Preferred Stock, including the Series E Term Preferred Stock, is based upon a calculation of the value of our portfolio holdings. Our portfolio investments are, and we expect a large percentage of such investments will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded is generally not readily determinable. Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer, employed by the Administrator (the Valuation Team).

There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses an established investment valuation policy, or the Policy, which has been approved by our Board of Directors, and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently. We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value (TEV), of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our 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.

A portion of our assets are, and may in the future be, comprised of debt and equity securities that are valued based on internal assessment using valuation methods approved by our Board of Directors, without the input of ICE Data Pricing and Reference Data, LLC (formerly Standard and Poor s Securities Evaluations, Inc.) (ICE), or other third-party evaluators. While we believe that our debt and equity valuation methods reflect those regularly used as standards by other professionals in our industry who value equity securities, the determination of fair value for securities that are not publicly traded necessarily involves an exercise of subjective judgment, whether or not we obtain the recommendations of an independent third-party evaluator.

Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or ICE, or determined using TEV, or the discounted cash flow methodology. As a result, a risk exists that the Asset Coverage attributable to the Preferred Stock, including the Series E Term Preferred Stock, may be materially lower than what is calculated based upon the fair valuation of our portfolio securities in accordance with our valuation policies. See *Risk Factors Risks Related to Our Investments Because the loans we make and equity securities we invest in are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our NAV.* on page 15 of the accompanying prospectus.

There is a risk of delay in our redemption of the Series E Term Preferred Stock, and we may fail to redeem such securities as required by their terms.

We generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to obtain cash equal to the value at which we record our investments quickly if a need arises. If we are unable to obtain sufficient liquidity prior to the Mandatory Term Redemption Date or a Change of Control Triggering Event, we may be forced to engage in a partial redemption or to delay a required redemption. If such a partial redemption or delay were to occur, the market price of the Series E Term Preferred Stock might be adversely affected.

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We finance our investments with borrowed money and senior securities, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The following table illustrates the effect of leverage on returns from an investment in our Common Stock assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical, and actual returns may be higher or lower than those appearing in the table below.

	ASSUMED RETURN ON OUR PORTFOLIO (NET OF EXPENSES)				
	(10)%	**(5)%**	**0%**	**5%**	**10%**
Corresponding return to common stockholder[1]	(20.7)%	(12.2)%	(3.8)%	4.6%	13.0%

(1) The hypothetical return to common stockholders is calculated by multiplying our total assets as of June 30, 2018, by the assumed rates of return and subtracting all interest accrued on our debt and dividends on our Preferred Stock expected to be paid or declared during the twelve months following June 30, 2018, adjusted for the assumed dividends declared on the Series E Term Preferred Stock to be issued in this offering (and assuming proceeds are used as described under Use of Proceeds, including incremental borrowings under our Credit Facility, if any); and then dividing the resulting difference by our total net assets attributable to Common Stock as of June 30, 2018. Based on $639.0 million in total assets, $102.5 million in borrowings outstanding on our Credit Facility, at cost, $5.1 million in a secured borrowing, $41.4 million in aggregate liquidation preference of Series B Term Preferred Stock, $40.3 million in aggregate liquidation preference of Series C Term Preferred Stock, $57.5 million in aggregate liquidation preference of Series D Term Preferred Stock and $379.8 million in net assets as of June 30, 2018 and assuming the Series E Term Preferred Stock to be issued in this offering is outstanding during the entire period and assuming proceeds are used as described under *Use of Proceeds,* including incremental borrowings under our Credit Facility, if any.

Based on our outstanding indebtedness of $107.6 million as of June 30, 2018, and the effective annual interest rate of 5.4% as of that date, aggregate liquidation preference of our Series B Term Preferred Stock of $41.4 million, aggregate liquidation preference of our Series C Term Preferred stock of $40.3 million, aggregate liquidation preference of our Series D Term Preferred stock of $57.5 million, aggregate liquidation preference of the Series E Term Preferred Stock of $65.0 million to be issued in this offering, incremental borrowings under our Credit Facility of $19.0 million, and redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock with an aggregate liquidation preference of $81.7 million, our investment portfolio at fair value would have been required to experience an annual return of at least 2.3% to cover annual interest payments on our outstanding debt and dividends on the Series B, Series C, Series D and Series E Preferred Stock.

Other Risks

In addition to regulatory limitations on our ability to raise capital, the Credit Facility contains various covenants that, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. In addition, we are obligated to redeem our Series D Term Preferred Stock in September 2023. If we do not have sufficient funds to redeem the Series D Term Preferred Stock, or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend

obligations with respect to our Preferred Stock.

We will have a continuing need for capital to finance our loans. We are party to a credit facility, which provides us with a revolving credit line facility of $165.0 million, of which $102.0 million was drawn as of August 13, 2018 and can be expanded to a total facility amount of $250.0 million through additional commitments of existing or new lenders. The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement and is currently scheduled to mature in November 2021.

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As a result of the Credit Facility, we are subject to certain limitations on the type of loan investments we make, including, but not limited to, restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment frequency and status, and average life. The Credit Facility also requires us to comply with other financial and operational covenants, which require us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum net worth. As of August 13, 2018, we were in compliance with these covenants; however, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Current market conditions have forced us to write down the value of a portion of our assets as required by the 1940 Act and fair value accounting rules. These are not realized losses, but constitute adjustment in asset values for purposes of financial reporting and for collateral value for the Credit Facility. As assets are marked down in value, the amount we can borrow on the Credit Facility decreases.

In particular, potential depreciation in the valuation of our assets, which valuation is subject to changing market conditions that remain very volatile, may affect our ability to comply with the covenants under the Credit Facility, including the minimum net worth covenant. As of June 30, 2018, our net assets were $379.8 million, up from $354.2 million at March 31, 2018. The increase in our net assets was primarily a result of unrealized appreciation over the respective periods. Additionally, the Credit Facility currently 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, an asset coverage ratio 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; however, our continued compliance depends on many factors, some of which are beyond our control. Accordingly, there are no assurances that we will continue to comply with these covenants. Under the Credit Facility, we are also required to maintain our status as a BDC under the 1940 Act and as a RIC under the Code. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

In addition, we are required to redeem all outstanding shares of Series D Term Preferred Stock on September 30, 2023, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the redemption date. If we fail to redeem the Series D Term Preferred Stock pursuant to the mandatory redemption required on September 30, 2023, or in any other circumstance in which we are required to redeem the Series D Term Preferred Stock, then the fixed dividend rate of the Series D Term Preferred Stock will increase to an annual rate of 9.25% for so long as such failure continues. If we do not have sufficient funds to redeem the Series D Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

Our amount of senior securities outstanding will increase as a result of this offering if we are unable to redeem shares of our Series B Term Preferred Stock and Series C Term Preferred Stock within the time period that we anticipate or at all, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.

As of June 30, 2018, we had $41.4 million outstanding of Series B Term Preferred Stock, $40.3 million outstanding of Series C Term Preferred Stock, $57.5 million outstanding of Series D Term Preferred Stock,

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$102.5 million of borrowings outstanding under the Credit Facility, and a $5.1 million secured borrowing. We intend to use the proceeds from this offering to redeem all outstanding shares of the Series B Term Preferred Stock and Series C Term Preferred Stock and for other general corporate purposes. We intend to redeem the shares of Series B Term Preferred Stock and Series C Term Preferred Stock within 45 days of the completion of this offering; however, we cannot assure you that we will be able to redeem the shares of Series B Term Preferred Stock and Series C Term Preferred Stock within this time period or at all. Until such time as the Series B Term Preferred Stock and Series C Term Preferred Stock are redeemed in full using the proceeds of this offering (and, to the extent that the aggregate amount of shares of Series E Term Preferred Stock issued in this offering exceeds the aggregate amount of Series B Term Preferred Stock and Series C Term Preferred Stock currently outstanding, following such redemption of the Series B Term Preferred Stock and Series C Term Preferred Stock), our amount of senior securities that are stock outstanding will increase as a result of this offering.

The issuance of additional senior securities could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the Credit Facility;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in the Credit Facility, which event of default could result in all amounts outstanding under the Credit Facility becoming immediately due and payable;
- reducing the availability of our cash flow to fund investments and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- increasing the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, as described below.

We may authorize, establish, create, issue and sell shares of one or more series of a class of our senior securities while shares of Series E Term Preferred Stock are outstanding without the vote or consent of the holders thereof.

While shares of Series E Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Section 18, as modified by Section 61, of the 1940 Act, ranking on parity with the Series E Term Preferred Stock as to payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series E Term Preferred Stock, including additional series of Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders).

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations or redemption obligations with respect to our Preferred Stock.

Our ability to meet our payment and other obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under the Credit Facility or otherwise, in an amount sufficient to enable us to meet these obligations and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Credit Facility or monthly dividend obligations with respect to our Preferred Stock.

In addition, we may issue debt securities, other evidences of indebtedness (including borrowings under the Credit Facility), senior securities representing indebtedness and senior securities that are stock up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities that are stock (such as our Preferred Stock), in amounts such that our asset coverage, in accordance with Sections 18 and 61 of the 1940 Act, is at least 200% (currently) or 150% (effective April 10, 2019, unless earlier approved by the Company s stockholders). The issuance of additional senior securities in this offering may increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, especially while our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock remain outstanding. Our ability to pay distributions, issue senior securities or repurchase shares of our Common Stock would be restricted if the asset coverage on each of our senior securities is not at least the minimum amount required by applicable law in effect. If the aggregate value of our assets declines, we might be unable to satisfy that minimum asset coverage requirement. To satisfy the minimum asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue Common Stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue Common Stock at a price below net asset value (NAV) per common share, as we have in the past upon obtaining the requisite stockholder and board approvals, any non-participating common stockholders will be subject to dilution.

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 the Company s 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 Series B Term Preferred Stock, our Series C Term Preferred Stock, and our Series D 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

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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 three series of mandatorily redeemable 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 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; or 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 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, management fees paid to the Advisor 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 three series of mandatorily redeemable 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.

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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 Gladstone Management Corporation 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 potential, 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 our historical performance. We have based forward-looking statements on information available to us on the date of this prospectus supplement. Except as required by law, 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 of 1933, as amended (the Securities Act).

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USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $62.7 million, after the payment of underwriting discounts and commissions of $2.0 million and estimated offering expenses of $0.3 million payable by us. We intend to use the net proceeds from this offering along with a draw on our Credit Facility, if necessary, to redeem all outstanding shares of our Series B Term Preferred Stock and our Series C Term Preferred Stock, within 45 days of the completion of this offering. As of the date of this prospectus supplement, the aggregate redemption price of all outstanding shares of our Series B Term Preferred Stock is $41.4 million and the cost of redeeming all outstanding shares of our Series C Term Preferred Stock is $40.3 million. After such utilization, we intend to use any remaining net proceeds of the offering for other general corporate purposes. Shares of our Series B Term Preferred Stock accrue cumulative dividends at an annual rate of 6.75% and must be redeemed in full by December 31, 2021. Shares of our Series C Term Preferred Stock accrue cumulative dividends at an annual rate of 6.50% and must be redeemed in full by May 31, 2022.

We have granted the underwriters the right to purchase up to 390,000 additional shares of Series E Term Preferred Stock at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement solely to cover over-allotments, if any. If the underwriters exercise such option in full, the estimated net proceeds to us, after the payment of underwriting discounts and commissions of $2.3 million and estimated offering expenses of $0.3 million payable by us, will be $72.1 million. We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of the 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.

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RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND DIVIDENDS ON PREFERRED STOCK

	FOR THE THREE MONTHS ENDED JUNE 30, 2018	FOR THE YEARS ENDED MARCH 31, 2018	2017	2016	2015	2014
		(Dollars in thousands)				
Net investment income	**$ 58**	$ 21,960	$ 22,422	$ 20,716	$ 19,897	$ 19,307
Add: fixed charges and dividends on Preferred Stock	**4,363**	14,517	14,109	14,036	8,799	5,959
Earnings	**$ 4,421**	$ 36,477	$ 36,531	$ 34,752	$ 28,696	$ 25,266
Fixed charges and dividends on Preferred Stock:						
Interest expense on borrowings	**$ 1,742**	$ 4,034	$ 3,540	$ 4,154	$ 3,539	$ 2,075
Amortization of deferred financing costs and discounts	**367**	1,468	1,875	1,908	1,329	1,024
Dividends on Preferred Stock	**2,251**	9,005	8,683	7,963	3,921	2,850
Estimated interest component of rent	**3**	10	11	11	10	10
Total fixed charges and dividends on Preferred Stock	**$ 4,363**	$ 14,517	$ 14,109	$ 14,036	$ 8,799	$ 5,959
Ratio of earnings to combined fixed charges and dividends on Preferred Stock	**1.0x**	2.5x	2.6x	2.5x	3.3x	4.2x

Computation of Pro Forma Ratio of Earnings to Combined Fixed Charges and Dividends on Preferred Stock After Adjustment for Issuance of the Series E Term Preferred Stock

	FOR THE THREE MONTHS ENDED JUNE 30, 2018	FOR THE YEAR ENDED MARCH 31, 2018
	(Dollars in thousands)	
Net investment income, as above	**$ 58**	$ 21,960
Add: fixed charges and dividends on Preferred Stock, as above	**4,363**	14,517
Adjustments:		
Pro forma increase of amortization of deferred financing costs[(A)]	**83**	330
Pro forma decrease in dividends on Preferred Stock [(B)]	**(317)**	(1,267)
Pro forma increase in interest expense on borrowings[(C)]	**252**	1,008
Pro forma fixed charges and dividends on Preferred Stock	**4,381**	14,588

Pro forma earnings	**$ 4,439**	$ 36,548
Pro forma ratio of earnings to combined fixed charges and dividends on Preferred Stock	**1.0x**	2.5x

(A) Pro forma increase in amortization of deferred financing costs related to this offering. Pro forma numbers do not take into account adjustments of deferred financing cost amortization related to the redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock.

(B) Pro forma decrease in dividends on Preferred Stock paid related to this offering and the redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock.

(C) Pro forma increase in interest expense on borrowings related to incremental borrowings under the Credit Facility for the shortfall between net proceeds of this offering and the liquidation preference of the redemption of our Series B Term Preferred Stock and Series C Term Preferred Stock.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018:

on an actual basis;

on an as adjusted basis to give effect to the completion of this offering and the application of the estimated net proceeds of this offering (as described under *Use of Proceeds*), after deducting underwriters discounts and commissions and estimated offering expenses payable by us (and assuming the underwriters over-allotment option is not exercised).

	AS OF JUNE 30, 2018	
	ACTUAL	AS ADJUSTED
	(Unaudited) (Dollars in thousands)	
Borrowings		
Borrowings under line of credit, at cost[1]	$ 102,500	$ 121,457
Secured borrowings	5,096	5,096
Total borrowings	107,596	126,553
Preferred Stock, at liquidation preference		
Series B Term Preferred Stock, $.001 par value per share; $25.00 liquidation preference per share; 1,656,000 shares authorized, issued and outstanding, actual and as adjusted	$ 41,400	$
Series C Term Preferred Stock, $.001 par value per share; $25.00 liquidation preference per share; 1,700,000 shares authorized, 1,610,000 issued and outstanding, actual and as adjusted	40,250	
Series D Term Preferred Stock, $.001 par value per share; $25.00 liquidation preference per share; 3,000,000 shares authorized, 1,610,000 issued and outstanding, actual and as adjusted	57,500	57,500
Series E Term Preferred Stock, $.001 par value per share; $25.00 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 3,500,000 shares authorized, 2,600,000 shares issued and outstanding, as adjusted[2]		65,000
Net Assets Applicable to Common Stockholders		
Common stock, $.001 par value per share, 100,000,000 shares authorized, actual and as adjusted; 32,822,459 shares issued and outstanding, actual and as adjusted[3]	$ 33	$ 33
Capital in excess of par value	332,301	332,301
Cumulative net unrealized appreciation of investments	32,369	32,369
Cumulative net unrealized appreciation of other	(407)	(407)
Overdistributed net investment income	(2,509)	(2,509)
Accumulated net realized gain in excess of distributions	18,021	18,021

Total Net Assets Available to Common Stockholders	$ 379,808	$ 379,808
Total Capitalization	$ 626,554	$ 628,861

(1) The Company intends to use funds available under the Credit Facility for any shortfall between net proceeds from this offering and the total redemption amount of the Series B Term Preferred Stock and Series C Term Preferred Stock, if any.

(2) Exclusive of assumed aggregate underwriting discounts and commissions of $2.0 million and $0.3 million of estimated offering costs payable by us in connection with this offering.

(3) None of these outstanding shares are held by us or for our account.

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The following are our outstanding classes of securities as of June 30, 2018.

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY US OR FOR OUR ACCOUNT	AMOUNT OUTSTANDING (EXCLUSIVE OF AMOUNTS HELD BY US OR FOR OUR ACCOUNT)
Common Stock	100,000,000		32,822,459
Series B Term Preferred Stock	1,656,000		1,656,000
Series C Term Preferred Stock	1,700,000		1,610,000
Series D Term Preferred Stock	3,000,000		2,300,000

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CONSOLIDATED SELECTED FINANCIAL DATA

The following consolidated selected financial data 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 at the bottom of the table 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	20
	(dollar amounts in thousands, except per share data)					
ons Data:						
ne	$ **15,504**	$ 13,620	$ 58,355	$ 51,875	$ 50,955	$ 4
credits from Adviser	**15,446**	8,185	36,395	29,453	30,239	2
e	**58**	5,435	21,960	22,422	20,716	1
lized gain (loss)	**32,269**	2,706	38,727	22,341	4,138	3
) in net assets resulting from operations	$ **32,327**	$ 8,141	$ 60,687	$ 44,763	$ 24,854	$ 3
Data:						
) in net assets resulting from operations per common ed[A]	$ **0.99**	$ 0.26	$ 1.88	$ 1.48	$ 0.82	$
e before net gain (loss) per common share basic and		0.17	0.68	0.74	0.68	
ared per common share[B]	**0.26**	0.25	0.89	0.75	0.75	
nd Liabilities Data:						
	$ **639,038**	$ 500,348	$ 610,899	$ 515,195	$ 506,260	$ 48
	379,808	321,235	354,200	301,082	279,022	27
mmon share	**11.57**	9.88	10.85	9.95	9.22	
nding	**32,822,459**	32,526,223	32,653,635	30,270,958	30,270,958	29,77
res outstanding basic and diluted	**32,762,848**	31,474,284	32,268,776	30,270,958	30,268,253	26,66
a:						
st[C]	$ **107,596**	$ 39,096	$ 112,096	$ 74,796	$ 100,096	$ 12
le preferred stock[D]	**139,150**	139,150	139,150	139,150	121,650	8

(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* in the accompanying *Notes to Consolidated Financial Statements* included 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 Preferred Stock.

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	Three Months Ended June 30, 2018	2017	Year Ended March 31, 2018	2017	2016	2015	2014
	(dollar amounts in thousands, except per share data)						
Other Unaudited 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 fiscal year.

(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 fiscal year.

(C) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, 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.

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SELECTED QUARTERLY FINANCIAL DATA

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

Year ended March 31, 2018	Quarter Ended 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

Year ended March 31, 2017	Quarter Ended 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

You should read the following analysis of our financial conditions and results of operations in conjunction with our interim consolidated financial statements and the related notes contained elsewhere in this prospectus supplement and the consolidated financial statements in the accompanying prospectus. Historical financial condition and results of operations and percentage relationship among any amounts in the financial statements are not necessarily indicative of financial condition, results of operations or percentage relationship for any future periods. Except per share amounts, dollar amounts in the tables included herein are in thousands unless otherwise indicated.

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 Gladstone Management Corporation, 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, 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 and Series D Term Preferred Stock are traded on Nasdaq under the trading symbols GAIN, GAINO, GAINN, and GAINM, respective

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

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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 Fifth Amended and Restated Credit Agreement dated April 30, 2013, as amended (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.

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. This August 2017 stockholder authorization is in effect for one year from the date of stockholder approval. At our 2018 Annual Meeting of Stockholders, scheduled to take place on August 2, 2018, our stockholders will vote on a similar proposal, which would be in effect for another year. 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 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.

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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% (effective April 10, 2019, unless earlier approved by the Company s stockholders) on each of our senior securities representing indebtedness and our senior securities that are stock (such as our three series of 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, 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, 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. Notwithstanding the modified asset coverage requirement under the 1940 Act 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 three series of mandatorily redeemable preferred stock.

As of June 30, 2018, our asset coverage ratio 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 equity distribution 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.

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**

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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

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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%**

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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.

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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.

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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.

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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**

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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.

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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.

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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, scheduled to take place on August 2, 2018, our stockholders will vote on a similar proposal, which would be in effect for another year.

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.

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 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.

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 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

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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.

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 corporate-level 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.

Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters, if they arise, would materially affect our business, financial condition, results of operations or cash flows, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources. Further, we are not named as a party to any proceeding that involves a claim for damages that exceeds 10% of our consolidated current assets. See also Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus supplement.

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DESCRIPTION OF THE SERIES E TERM PREFERRED STOCK

The following is a brief description of the terms of our 6.375% Series E Term Preferred Stock. This is not a complete description and is subject to, and entirely qualified by reference to, our Amended and Restated Certificate of Incorporation and the Certificate of Designation. The form of the Certificate of Designation is attached to this prospectus supplement, and the final form of the Certificate of Designation will be filed with the SEC as an exhibit to our registration statement of which this prospectus supplement and the accompanying prospectus are a part. You may obtain copies of these documents as described under Where You Can Find More Information. Capitalized terms, used, but not defined herein, have the meanings attributed to them in the Certificate of Designation.

General

Under our Amended and Restated Certificate of Incorporation, we are authorized to issue 110,000,000 shares of stock, of which 100,000,000 are Common Stock and 10,000,000 are Preferred Stock. Of the 10,000,000 shares of our capital stock designated as preferred stock, 1,656,000 of such shares are designated as Series B Term Preferred Stock, 1,700,000 of such shares are designated as Series C Term Preferred Stock and 3,000,000 are designated as Series D Term Preferred Stock. As of August 13, 2018, we had 1,656,000 shares of Series B Term Preferred Stock outstanding, 1,610,000 shares of Series C Term Preferred Stock outstanding and 2,300,000 shares of Series D Term Preferred Stock outstanding. On August 13, 2018 our Board of Directors approved the designation of up to 3,644,000 shares of Preferred Stock as Series E Term Preferred Stock. Terms of the Series E Term Preferred Stock are set forth in the Certificate of Designation.

At the time of issuance, the Series E Term Preferred Stock will be fully paid and non-assessable and will have no preemptive, conversion, or exchange rights or rights to cumulative voting. The Series E Term Preferred Stock will rank equally with shares of all our other Preferred Stock currently outstanding and that we may issue in the future as to payment of dividends and the distribution of our assets upon dissolution, liquidation or winding up of our affairs. The Series E Term Preferred Stock is, and all other Preferred Stock that is currently outstanding and that we may issue in the future will be, senior as to dividends and distributions to the Common Stock. We may issue additional series of Preferred Stock in the future without stockholder action.

Except in certain limited circumstances, holders of shares of the Series E Term Preferred Stock will not receive certificates representing their ownership interest in such shares, and the shares of Series E Term Preferred Stock will be represented by a global certificate to be held by The Depository Trust Company, or the Securities Depository, for the Series E Term Preferred Stock.

Dividends and Dividend Periods

General

The holders of shares of the Series E Term Preferred Stock will be entitled to receive cumulative cash dividends and distributions on such shares, when, as and if declared by our Board of Directors, or a duly authorized committee of our Board of Directors out of funds legally available for payment, in parity with dividends and distributions to holders of the Series B Term Preferred Stock, Series C Term Preferred Stock, Series D Term Preferred Stock and in preference to dividends and distributions on our Common Stock, calculated separately for each monthly dividend period, each a Dividend Period, for the Series E Term Preferred Stock at the Fixed Dividend Rate in effect during such Dividend Period, on an amount equal to the Liquidation Preference for the Series E Term Preferred Stock. The Fixed Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends so declared and payable will be paid to the extent permitted under state law, our Amended and Restated Certificate of Incorporation and the Certificate of Designation and in preference to and priority over any dividend declared and payable on Common Stock.

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Fixed Dividend Rate

The Fixed Dividend Rate is an annual rate of 6.375% for the Series E Term Preferred Stock. The Fixed Dividend Rate for the Series E Term Preferred Stock may be adjusted in certain circumstances, including upon the occurrence of certain events resulting in a Default Period (as defined below).

Payment of Dividends and Dividend Periods

The first Dividend Period for the Series E Term Preferred Stock will commence on the Date of Original Issue and end on September 30, 2018, and each subsequent Dividend Period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series E Term Preferred Stock). Dividends will be payable monthly in arrears on the last Business Day of the Dividend Period, referred to herein as the Dividend Payment Date, and upon redemption of the Series E Term Preferred Stock. Except for the first Dividend Period, dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Series E Term Preferred Stock as their names shall appear on our registration books at the close of business on the applicable record date, which shall be such date designated by our Board of Directors that is not more than 20, nor less than seven, calendar days prior to such Dividend Payment Date. We expect that dividends with respect to the first Dividend Period of the Series E Term Preferred Stock will be declared in September 2018 and paid on September 28, 2018 to holders of record of such Series E Term Preferred Stock as their names appear on our registration books at the close of business on September 19, 2018.

Only holders of shares of Series E Term Preferred Stock on the record date for a Dividend Period will be entitled to receive dividends and distributions payable with respect to such Dividend Period, and holders of shares of Series E Term Preferred Stock who sell shares before such a record date and purchasers of Series E Term Preferred Stock who purchase shares after such a record date should take the effect of the foregoing provisions into account in evaluating the price to be received or paid for such Series E Term Preferred Stock.

Although dividends will accrue and be paid monthly, the record date for holders of shares of Series E Term Preferred Stock entitled to receive dividend payments may vary from month-to-month. We will notify holders of shares of Series E Term Preferred Stock of each record date by issuance of a quarterly press release. If our investments do not generate sufficient income, we may need to liquidate a portion of our portfolio to fund these distributions, and therefore these payments may represent a reduction of your principal investment. In such case, these payments may constitute a return of capital for income tax purposes. A distribution that constitutes a return of capital represents a return of a stockholder s investment in our stock and should not be confused with a distribution of our earnings and profits. Although return of capital distributions may not be taxable, such distributions may increase an investor s tax liability upon the sale of our stock by reducing the investor s tax basis in such stock.

Mechanics of Payment of Dividends

Not later than 12:00 noon, New York City time, on a Dividend Payment Date, we are required to deposit with the Redemption and Paying Agent sufficient funds for the payment of dividends in the form of Deposit Securities. Deposit Securities will generally consist of: (1) cash or cash equivalents; (2) direct obligations of the United States or its agencies or instrumentalities that are entitled to the full faith and credit of the United States, which we refer to as the U.S. Government Obligations; (3) short-term money market instruments; (4) investments in money market funds registered under the 1940 Act that qualify under Rule 2a-7 under the 1940 Act and certain similar investment vehicles that invest in short-term money market instruments or U.S. Government Obligations or any combination thereof; or (5) any letter of credit from a bank or other financial institution that has a credit rating from at least one national recognized statistical rating agency that is the highest applicable rating generally ascribed by such rating agency to bank deposits or short-term debt of similar banks or other financial institutions, in each case either that is a demand obligation payable to the holder on any Business Day or that has a maturity

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date, mandatory redemption date or mandatory payment date preceding the relevant date of redemption, or the Redemption Date, Dividend Payment Date or other payment date. We do not intend to establish any reserves for the payment of dividends.

All Deposit Securities paid to the Redemption and Payment Agent for the payment of dividends will be held in trust for the payment of such dividends to the holders of shares of Series E Term Preferred Stock. Dividends will be paid by the Redemption and Paying Agent to the holders of shares of Series E Term Preferred Stock as their names appear on our registration books. Dividends that are in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date. Such payments are made to holders of shares of Series E Term Preferred Stock as their names appear on our registration books on such date, not exceeding 20 nor less than seven calendar days preceding the payment date thereof, as may be fixed by our Board of Directors. Any payment of dividends in arrears will first be credited against the earliest accumulated but unpaid dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on any Series E Term Preferred Stock which may be in arrears. See *Adjustment to Fixed Dividend Rate Default Period.*

Upon failure to pay dividends for at least two full years, the holders of shares of Series E Term Preferred Stock will acquire certain additional voting rights. See *Voting Rights* below. Such rights shall be the exclusive remedy of the holders of shares of Series E Term Preferred Stock upon any failure to pay dividends on Preferred Stock; provided that the foregoing does not affect our obligation to accumulate and, if permitted by applicable law and the Certificate of Designation, pay dividends at the Default Rate (as defined below).

Adjustment to Fixed Dividend Rate Default Period

Subject to the cure provisions below, a Default Period with respect to the Series E Term Preferred Stock will commence on a date we fail to deposit the Deposit Securities to redeem the Series E Term Preferred Stock in any circumstance in which redemption is required or we fail to pay a dividend on the Series E Term Preferred Stock as required as described above (either such failure, a Default). A Default Period shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of a Default, the applicable dividend rate for each day during the Default Period will be equal to the Default Rate. The Default Rate for any calendar day will be equal to the applicable Fixed Dividend Rate in effect on such day plus three percent (3.00%) per annum.

No Default Period with respect to a Default will be deemed to commence if the amount of any dividend or any redemption price due (if such Default is not solely due to our willful failure) is deposited irrevocably in trust, in same-day funds with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than five Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the actual number of calendar days comprising such period divided by 360.

Restrictions on Dividend, Redemption, Other Payments and Issuance of Debt

No full dividends and distributions will be declared or paid on Series E Term Preferred Stock for any Dividend Period, or a part of a Dividend Period, unless the full cumulative dividends and distributions due through the most recent dividend payment dates for all outstanding shares of Preferred Stock have been, or contemporaneously are, declared and paid through the most recent dividend payment dates for each share of Preferred Stock. If full cumulative dividends and distributions due have not been declared and paid on all outstanding shares of Preferred Stock of any series, any dividends and distributions being declared and paid on the Series E Term Preferred Stock will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on the shares of each such series of Preferred Stock on the relevant dividend payment date. No holders of shares of Series E Term Preferred Stock will be entitled to any dividends and distributions in excess of full cumulative dividends and distributions as provided in the Certificate of Designation.

For so long as any shares of Preferred Stock are outstanding, we will not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in shares of Common Stock) in respect of the Common Stock; (y) call for redemption, redeem, purchase or otherwise acquire for consideration any such Common Stock; or (z) pay any proceeds of our liquidation in respect of such Common Stock, unless, in each case, (A) immediately thereafter, we will be in compliance with the Asset Coverage limitations set forth under the 1940 Act (which is currently 200% and will be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders) after deducting the amount of such dividend or distribution or redemption or purchase price or liquidation proceeds, (B) all cumulative dividends and distributions on all shares of Series E Term Preferred Stock and all other series of Preferred Stock, if any, ranking on parity with the Series E Term Preferred Stock due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and sufficient funds or Deposit Securities as permitted by the terms of such Preferred Stock for the payment thereof shall have been deposited irrevocably with the applicable paying agent) and (C) we have deposited Deposit Securities with the Redemption and Paying Agent in accordance with the requirements described herein with respect to outstanding shares of Series E Term Preferred Stock to be redeemed pursuant to a Term Redemption (as defined below), mandatory redemption resulting from the failure to comply with the Asset Coverage or due to a Change of Control Triggering Event as described below for which a Notice of Redemption shall have been given or shall have been required to be given in accordance with the terms described herein on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

Except as required by law, we will not redeem any shares of Series E Term Preferred Stock unless all accumulated and unpaid dividends and distributions (whether or not earned or declared by us) on all outstanding shares of Series E Term Preferred Stock and other current or future series of Preferred Stock ranking on parity with the Series E Term Preferred Stock with respect to dividends and distributions for all applicable past dividend periods including the Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock (x) will have been or are contemporaneously paid or (y) will have been or are contemporaneously declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment of such dividends and distributions will have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent; provided, however, that the foregoing will not prevent the purchase or acquisition of outstanding shares of Series E Term Preferred Stock pursuant to an otherwise lawful purchase or exchange offer made on the same terms to holders of all outstanding shares of Series E Term Preferred Stock and any other series of Preferred Stock, such as the Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock, for which all accumulated and unpaid dividends and distributions have not been paid.

We may issue debt in one or more classes or series. Under the 1940 Act, we may not (1) declare any dividend with respect to any Preferred Stock if, at the time of such declaration (and after giving effect thereto), the Asset Coverage with respect to any of our borrowings that are senior securities representing indebtedness (as defined in the 1940 Act), would be less than 200%, currently, or, effective April 10, 2019, unless earlier approved by the Company s stockholders), 150% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a business development company as a condition of declaring dividends on its Preferred Stock) or (2) declare any other distribution on the Preferred Stock or purchase or redeem Preferred Stock if at the time of the declaration or redemption (and after giving effect thereto), the Asset Coverage with respect to such borrowings that are senior securities representing indebtedness would be less than 200%, currently, or, effective April 10, 2019, unless earlier approved by the Company s stockholders), 150% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a business development company as a condition of declaring distributions, purchases or redemptions of its shares). Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of capital stock) and evidencing indebtedness and could include our obligations under any borrowings. For purposes of determining the Asset Coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof, made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 calendar days and is not extended or renewed; otherwise, such loan is presumed not to be for temporary purposes. For purposes of determining whether the statutory Asset Coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Preferred Stock, such Asset Coverage may be calculated on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of the applicable determination.

Asset Coverage

If we fail to maintain Asset Coverage of at least the minimum amount required by applicable law of any date as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders), the Series E Term Preferred Stock may become subject to mandatory redemption as provided below. Asset Coverage means asset coverage of a class of senior security which is a stock, as defined for purposes of Sections 18(h) and 61 of the 1940 Act as in effect on the date of the Certificate of Designation, determined on the basis of values calculated as of a time within two Business Days next preceding the time of such determination. For purposes of this determination, no shares of Series E Term Preferred Stock or other Preferred Stock we have issued will be deemed to be outstanding for purposes of the computation of Asset Coverage if, prior to or concurrently with such determination, either sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Preferred Stock) to pay the full redemption price for such Preferred Stock (or the portion thereof to be redeemed) will have been deposited in trust with the Redemption and Paying Agent for such Preferred Stock and the requisite notice of redemption for such Preferred Stock (or the portion thereof to be redeemed) will have been given or sufficient Deposit Securities or other sufficient funds (in accordance with the terms of such Preferred Stock) to pay the full redemption price for such Preferred Stock (or the portion thereof to be redeemed) will have been segregated by us and our custodian, or the Custodian, from our assets, by means of appropriate identification on the Custodian s books and records or otherwise in accordance with the Custodian s normal procedures. In such event, the Deposit Securities or other sufficient funds so deposited or segregated will not be included as our assets for purposes of the computation of Asset Coverage.

Redemption

Mandatory Term Redemption

We are required to provide for the mandatory redemption, or the Term Redemption, of all of the shares of Series E Term Preferred Stock on the Mandatory Term Redemption Date, at a redemption price equal to the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) up to, but excluding, the Mandatory Term Redemption Date, which we refer to as the Term Redemption Price.

Mandatory Redemption for Asset Coverage

If we fail to have Asset Coverage as required by Sections 18 and 61 of the 1940 Act (which is currently 200% and will be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders) as of the time of declaration of dividends other distributions on the Company s common stock (other than dividends payable in shares of common stock), after deducting the amount of such dividend or other distribution, as of the time of purchase of the Company s common stock or issuance of any senior security as defined in the 1940 Act, and such failure is not cured as of the close of business on the Asset Coverage Cure Date, we will, to the extent permitted by law, fix a redemption date and proceed to redeem the number of shares of Preferred Stock as described below at a price per share equal to the liquidation price per share of the applicable Preferred Stock, which in the case of the Series E Term Preferred Stock we refer to as the Mandatory Redemption Price and is equal to the Liquidation Preference, plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared but excluding interest thereon) up to, but excluding, the date fixed for redemption by our Board of Directors. We will redeem out of funds legally available the number of shares of Preferred Stock (which may include at our sole option any number or proportion of Preferred Stock) as shall be equal to the lesser of (i) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in us having Asset Coverage of as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders), and (ii) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available in accordance with our Amended and Restated Certificate of Incorporation and applicable law, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having an Asset Coverage of up to and including a percentage that is 50% higher than the minimum Asset Coverage amount required by applicable law in effect. We will effect a redemption on the date fixed by us, which date will not be later than 90 calendar days after the Asset Coverage Cure Date, except that if we do not have funds legally available for the redemption of all of the required number of shares of Series E Term Preferred Stock and other shares of Preferred Stock which have been designated to be redeemed or we otherwise are unable to effect such redemption on or prior to 90 calendar days after the Asset Coverage Cure Date, we will redeem those shares of Series E Term Preferred Stock and other shares of Preferred Stock which we were unable to redeem on the earliest practicable date on which we are able to effect such redemption.

Optional Redemption

On or after August 31, 2020 (any such date, an Optional Redemption Date), at our sole option, we may redeem, from time to time, in whole or in part, outstanding shares of Series E Term Preferred Stock, at a redemption price equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated up to, but excluding, the Optional Redemption Date (whether or not earned or declared by us, but excluding interest thereon), which we refer to as the Optional Redemption Price.

Subject to the provisions of the Certificate of Designation and applicable law, our Board of Directors will have the full power and authority to prescribe the terms and conditions upon which shares of Series E Term Preferred Stock will be redeemed from time to time.

We may not on any date deliver a notice of redemption to redeem any shares of Series E Term Preferred Stock pursuant to the optional redemption provisions described above unless on such date we have available Deposit Securities for the Optional Redemption Date contemplated by such notice of redemption having a market value not less than the amount due to holders of shares of Series E Term Preferred Stock by reason of the redemption of such shares of Series E Term Preferred Stock on such Optional Redemption Date.

Change of Control

If a Change of Control Triggering Event (as defined below) occurs with respect to the Series E Term Preferred Stock, unless we have exercised our option to redeem such Series E Term Preferred Stock as described above, we will be required to redeem, which redemption we refer to as a Change of Control Redemption, all of the outstanding Series E Term Preferred Stock at a price equal to the Liquidation Preference, plus an amount equal to any accumulated and unpaid dividends up to, but excluding, the date of redemption, but without interest, which we refer to as the Change of Control Redemption Price, no later than three Business Days after the occurrence of any Change in Control Triggering Event. We will be obligated to do the same with respect to the Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock if a Change of Control Triggering Event occurs.

For purposes of the foregoing discussion of the Change of Control Redemption, the following definitions are applicable:

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of the our subsidiaries, taken as a whole, to any Person, other than us or one of our subsidiaries; (2) the consummation of any transaction (including any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to our liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

Person means and includes an individual, a partnership, a trust, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Voting Stock means, with respect to any specified Person that is a corporation as of any date, the capital stock of such Person that is at the time entitled to vote generally in the election of the directors of such Person.

Redemption Procedures

We will file a notice of our intention to redeem with the SEC so as to provide the 30 calendar day notice period contemplated by Rule 23c-2 under the 1940 Act, or such shorter notice period as may be permitted by the SEC or its staff.

If we shall determine or be required to redeem, in whole or in part, shares of Series E Term Preferred Stock, we will deliver a notice of redemption, or a Notice of Redemption, by overnight delivery, by first class mail, postage prepaid or by electronic means to the holders of record of such shares of Series E Term Preferred Stock to be redeemed, or request the Redemption and Paying Agent, on our behalf, to promptly do so by overnight delivery, by first class mail, postage prepaid or by electronic means. A Notice of Redemption will be provided not more than 45 calendar days prior to the Redemption Date; provided, however, that, in the event of a Change of Control Redemption, the Notice of Redemption will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring and, provided further, that if, by the date that is three Business Days prior to the date fixed for redemption in such Notice of Redemption, the Change of Control Triggering Event shall not have occurred, the Redemption Date shall be extended until a date that is no more than three Business Days after the date on which the Change of Control Triggering Event occurs. If fewer than all of the outstanding shares of Series E Term Preferred Stock are to be redeemed pursuant to either the Asset Coverage mandatory redemption

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provisions or the optional redemption provisions, the shares of Series E Term Preferred Stock to be redeemed will be selected either (1) pro rata among Series E Term Preferred Stock, (2) by lot or (3) in such other manner as our Board of Directors may determine to be fair and equitable. If fewer than all shares of Series E Term Preferred Stock held by any holder are to be redeemed, the Notice of Redemption delivered to such holder shall also specify the number of shares of Series E Term Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to the Certificate of Designation that such redemption is subject to one or more conditions precedent and that we will not be required to effect such redemption unless each such condition has been satisfied. No defect in any Notice of Redemption or delivery thereof will affect the validity of redemption proceedings except as required by applicable law.

If we give a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by us), we will (i) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate market value at the time of deposit no less than the redemption price of the shares of Series E Term Preferred Stock to be redeemed on the Redemption Date and (ii) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable redemption price to the holders of shares of Series E Term Preferred Stock called for redemption on the Redemption Date.

Upon the date of the deposit of Deposit Securities by us for purposes of redemption of shares of Series E Term Preferred Stock, all rights of the holders of shares of Series E Term Preferred Stock so called for redemption shall cease and terminate except the right of the holders thereof to receive the Term Redemption Price, the Mandatory Redemption Price, the Optional Redemption Price or the Change of Control Redemption Price thereof, as applicable (any of the foregoing referred to in this prospectus supplement as the Redemption Price), and such shares of Series E Term Preferred Stock will no longer be deemed outstanding for any purpose whatsoever (other than the transfer thereof prior to the applicable Redemption Date and other than the accumulation of dividends on such stock in accordance with the terms of the Series E Term Preferred Stock up to, but excluding, the applicable Redemption Date). We will be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of shares of Series E Term Preferred Stock called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of 90 calendar days from the Redemption Date will, to the extent permitted by law, be repaid to us, after which the holders of shares of Series E Term Preferred Stock so called for redemption shall look only to us for payment of the Redemption Price. We will be entitled to receive, from time to time after the Redemption Date, any interest on the Deposit Securities so deposited.

If any redemption for which a Notice of Redemption has been provided is not made by reason of the absence of our legally available funds in accordance with the Certificate of Incorporation and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default will be deemed to have occurred if we have failed to deposit in trust with the Redemption and Paying Agent the applicable Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent has not been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any shares of Series E Term Preferred Stock, dividends may be declared and paid on such shares of Series E Term Preferred Stock in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such shares of Series E Term Preferred Stock shall not have been deposited in trust with the Redemption and Paying Agent for that purpose. If the Redemption Date of either a Mandatory Term Redemption, Mandatory Asset Coverage Redemption, Optional Redemption or a Change of Control Redemption occurs after the applicable record date for a dividend but on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date in respect of such Series D Term Preferred Stock will be payable on such Dividend Payment Date to the holders of record of such shares of Series D Term Preferred Stock at the close of business on the applicable record date, and will not be payable as part of the Redemption Price for such shares of Series D Term Preferred Stock.

We may, in our sole discretion and without a stockholder vote, modify the redemption procedures with respect to notification of redemption for the Series E Term Preferred Stock, provided that such modification does not materially and adversely affect the holders of shares of Series E Term Preferred Stock or cause us to violate any applicable law, rule or regulation.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, the holders of the Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment will be made in respect of the Common Stock, a liquidation distribution equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated up to, but excluding, the date fixed for such distribution or payment (whether or not earned or declared by us, but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

If, upon any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all outstanding shares of Series E Term Preferred Stock, and any other outstanding shares of Preferred Stock, if any, will be insufficient to permit the payment in full to such holders of shares of Series E Term Preferred Stock of the Liquidation Preference, plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to such other shares of Preferred Stock, then the available assets will be distributed among the holders of such shares of Series E Term Preferred Stock and such other series of Preferred Stock ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of our affairs whether voluntary or involuntary, unless and until the Liquidation Preference on each outstanding share of Series E Term Preferred Stock plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series E Term Preferred Stock, no dividends, distributions or other payments will be made on, and no redemption, repurchase or other acquisition by us will be made by us in respect of, the Common Stock.

Neither the sale of all or substantially all of our property or business, nor the merger, consolidation or our reorganization into or with any other business or corporation, statutory trust or other entity, nor the merger, consolidation or reorganization of any other business or corporation, statutory trust or other entity into or with us will be a dissolution, liquidation or winding up, whether voluntary or involuntary, for purposes of the provisions relating to liquidation set forth in the Certificate of Designation.

Voting Rights

Except as otherwise provided in our Amended and Restated Certificate of Incorporation, the Certificate of Designation, or as otherwise required by applicable law, each holder of a share of Series E Term Preferred Stock will be entitled to one vote for each share of Series E Term Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and the holders of outstanding shares of any Preferred Stock, including the Series E Term Preferred Stock, will vote together with holders of Common Stock as a single class. Under applicable rules of Nasdaq and Delaware law, we are currently required to hold annual meetings of stockholders.

In addition, the holders of outstanding shares of any Preferred Stock, including the Series E Term Preferred Stock, will be entitled, as a class, to the exclusion of the holders of all other securities and the Common Stock, to elect two of our directors at all times (regardless of the total number of directors serving on the Board of Directors). We refer to these directors as the Preferred Directors. The holders of outstanding shares of Common Stock and Preferred Stock, including Series E Term Preferred Stock, voting together as a single class, will elect the balance of our directors. Under our bylaws, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

In the event we owe accumulated dividends (whether or not earned or declared) on our Preferred Stock equal to at least two full years of dividends (and sufficient cash or securities have not been deposited with a paying agent for the payment of the accumulated dividends), the number of directors constituting the board will be increased by the smallest number of directors, which we refer to as the New Preferred Directors, that when added to the Preferred Directors will constitute a majority of the Board of Directors. We will then call a special meeting of holders of the Preferred Stock to permit the election of the New Preferred Directors. The term of the New Preferred Directors will last for so long as we are in arrears on our dividends as described above. The ability of the holders of Preferred Stock to elect the New Preferred Directors will also terminate, subject to reinstatement, once we have a Dividend Payment Date on which we are no longer in arrears on our dividends to the extent described above.

Notwithstanding the foregoing, if: (1) at the close of business on any dividend payment date for dividends on any outstanding share of any Preferred Stock, including any outstanding shares of Series E Term Preferred Stock, accumulated dividends (whether or not earned or declared) on the shares of Preferred Stock, including the Series E Term Preferred Stock, equal to at least two full years dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or (2) at any time holders of any shares of Preferred Stock are entitled under the 1940 Act to elect a majority of our directors (a period when either of the foregoing conditions exists, a Voting Period), then the number of members constituting our Board of Directors will automatically be increased by the smallest number that, when added to the two directors elected exclusively by the holders of shares of any Preferred Stock, including the Series E Term Preferred Stock, as described above, would constitute a majority of our Board of Directors as so increased by such smallest number; and the holders of the shares of Preferred Stock, including the Series E Term Preferred Stock, will be entitled as a class on a one-vote-per-share basis, to elect such additional directors. The terms of office of the persons who are directors at the time of that election will not be affected by the election of the additional directors. If we thereafter shall pay, or declare and set apart for payment, in full all dividends payable on all outstanding shares of Preferred Stock, including Series E Term Preferred Stock, for all past dividend periods, or the Voting Period is otherwise terminated, (1) the voting rights stated above shall cease, subject always, however, to the revesting of such voting rights in the holders of shares of Preferred Stock upon the further occurrence of any of the events described herein, and (2) the terms of office of all of the additional directors so elected will terminate automatically. Any Preferred Stock, including Series E Term Preferred Stock, issued after the date hereof will vote with Series E Term Preferred Stock as a single class on the matters described above, and the issuance of any other Preferred Stock, including Series E Term Preferred Stock, by us may reduce the voting power of the holders of Series E Term Preferred Stock.

As soon as practicable after the accrual of any right of the holders of shares of Preferred Stock to elect additional directors as described above, we will call a special meeting of such holders and notify the Redemption and Paying Agent and/or such other person as is specified in the terms of such Preferred Stock to receive notice, (i) by mailing or delivery by electronic means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Stock, a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 30 calendar days after the date of the delivery by electronic means or mailing of such notice. If we fail to call such a special meeting, it may be called at our expense by any such holder on like notice. The record date for determining the holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of holders of shares of Preferred Stock held during a Voting Period at which directors are to be elected, such holders, voting together as a class (to the exclusion of the holders of all our other securities and classes of capital stock), will be entitled to elect the number of additional directors prescribed above on a one-vote-per-share basis.

Except as otherwise permitted by the terms of the Certificate of Designation, (a) so long as any shares of Series E Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of shares of Series E Term Preferred Stock, voting as a separate class, amend, alter or repeal the provisions of the Amended and Restated Certificate of Incorporation or the Certificate of Designation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the Series E Term Preferred Stock or the holders thereof and (b) so long as any shares of Preferred Stock of a particular series are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of such series of Preferred Stock, voting as a separate class, amend, alter or repeal the provisions of the Amended and Restated Certificate of Incorporation, including the certificate of designation for that series, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of the such series of Preferred Stock or the holders thereof; provided, however, that (i) a change in our capitalization as described under the heading Issuance of Additional Preferred Stock will not be considered to materially and adversely affect the rights and preferences of Series E Term Preferred Stock, and (ii) a division of a share of Series E Term Preferred Stock will be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the holders of shares of Series E Term Preferred Stock. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a share of Series E Term Preferred Stock or the holder thereof unless such matter (i) alters or abolishes any preferential right of such share of Series E Term Preferred Stock, or (ii) creates, alters or abolishes any right in respect of redemption of such Series E Term Preferred Stock (other than as a result of a division of such Series E Term Preferred Stock).

So long as any shares of Series E Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least $66^{2/3}$% of the shares of Series E Term Preferred Stock outstanding at the time, voting as a separate class, file a voluntary application for relief under federal bankruptcy law or any similar application under state law for so long as we are solvent and does not foresee becoming insolvent. No amendment, alteration or repeal of our obligation to redeem the Series E Term Preferred Stock or to accumulate dividends at the Dividend Rate will be effected without, in each case, the prior unanimous vote or consent of the holders of shares of Series E Term Preferred Stock.

The affirmative vote of the holders of at least a majority of the outstanding shares of Preferred Stock, including the shares of Series E Term Preferred Stock outstanding at the time, voting as a separate class, will be required (i) to approve us ceasing to be, or to withdraw our election as, a business development company, or (ii) to approve any plan of reorganization (as such term is defined in Section 2(a)(33) of the 1940 Act) adversely affecting such shares of Preferred Stock. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Stock means the vote at an annual or special meeting duly called of (a) 67% or more of such shares present at a meeting, if the holders of more than 50% of such outstanding shares are present or represented by proxy at such meeting, or (b) more than 50% of such outstanding shares, whichever is less.

For purposes of determining any rights of the holders of shares of Series E Term Preferred Stock to vote on any matter, whether such right is created by the Certificate of Designation, by the provisions of the Amended and Restated Certificate of Incorporation, by statute or otherwise, no holder of Series E Term Preferred Stock will be entitled to vote any shares of Series E Term Preferred Stock and no share of Series E Term Preferred Stock will be deemed to be outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case may be, the requisite Notice of Redemption with respect to such shares of Series E Term Preferred Stock will have been given in accordance with the Certificate of Designation, and the Redemption Price for the redemption of such shares of Series E Term Preferred Stock will have been irrevocably deposited with the Redemption and Paying Agent for that purpose. No shares of Series E Term

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Preferred Stock held by us will have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

Unless otherwise required by law or our Amended and Restated Certificate of Incorporation, holders of shares of Series E Term Preferred Stock will not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in the *Voting Rights* section of the Certificate of Designation. The holders of shares of Series E Term Preferred Stock will have no rights to cumulative voting. In the event that we fail to declare or pay any dividends on Series E Term Preferred Stock, the exclusive remedy of the holders will be the right to vote for additional directors as discussed above; provided that the foregoing does not affect our obligation to accumulate and, if permitted by applicable law and the Certificate of Designation, pay dividends at the Default Rate as discussed above.

Issuance of Additional Preferred Stock

So long as any shares of Series E Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Sections 18 and 61 of the 1940 Act, ranking on parity with the Series E Term Preferred Stock as to the payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series E Term Preferred Stock, including additional series of Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, including additional shares of the Series E Term Preferred Stock, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage as required by Sections 18 and 61 of the 1940 Act (which, as of the date hereof, is 200% and shall be 150% effective April 10, 2019, unless earlier approved by the Company s stockholders).

Actions on Other than Business Days

Unless otherwise provided in the Certificate of Designation, if the date for making any payment, performing any act or exercising any right is not a Business Day, such payment will be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount will accrue for the period between such nominal date and the date of payment.

Modification

The Board of Directors, without the vote of the holders of shares of Series E Term Preferred Stock, may interpret, supplement or amend the provisions of the Certificate of Designation or any appendix thereto to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Preferred Stock or the Common Stock.

Information Rights

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series E Term Preferred Stock are outstanding, we will provide holders of shares of Series E Term Preferred Stock, without cost, copies of annual reports and quarterly reports substantially similar to the reports on Form 10-K and Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.

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UNDERWRITING

BMO Capital Markets Corp., Janney Montgomery Scott LLC, Ladenburg Thalmann & Co. Inc., B. Riley FBR, Inc., J.J.B. Hilliard, W.L. Lyons, LLC, Wedbush Securities Inc., William Blair & Company, L.L.C., National Securities Corporation and Boenning and Scattergood, Inc. are the underwriters of this offering. BMO Capital Markets Corp., Janney Montgomery Scott LLC and Ladenburg Thalmann & Co. Inc. are acting as joint book-running managers of this offering. Subject to the terms and conditions of the underwriting agreement dated August 14, 2018, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of shares of Series E Term Preferred Stock set forth opposite their respective names below at the public offering price less the underwriting discounts and commissions on the cover page of this prospectus supplement.

Underwriters	Number of Shares
BMO Capital Markets Corp.	520,000
Janney Montgomery Scott LLC	741,000
Ladenburg Thalmann & Co. Inc.	520,000
B. Riley FBR, Inc..	286,000
J.J.B. Hilliard, W.L. Lyons, LLC	130,000
Wedbush Securities Inc.	130,000
William Blair & Company, L.L.C.	156,000
National Securities Corporation	65,000
Boenning and Scattergood, Inc.	52,000
Total	**2,600,000**

BMO Capital Markets Corp. and Janney Montgomery Scott LLC are the representatives of the underwriters named above. The underwriting agreement provides that obligations of the underwriters to purchase the Series E Term Preferred Stock that is being offered are subject to the approval of certain legal matters by counsel to the underwriters and to certain other conditions. Each underwriter is obligated to purchase all of the shares of Series E Term Preferred Stock set forth opposite its name in the table above if it purchases any of the Series E Term Preferred Stock.

The underwriters propose to offer some of the shares of the Series E Term Preferred Stock to the public initially at the offering price per share shown on the cover page of this prospectus supplement and may offer shares to certain dealers at such price less a concession not in excess of $0.50 per share. The underwriters may allow, and such dealers may re-allow, a concession not in excess of $0.45 per share to certain other dealers. Investors must pay for the shares purchased in this offering on or before August 22, 2018. After the public offering of the Series E Term Preferred Stock, the public offering price and concessions described above may be changed by the underwriters.

We have granted to the underwriters an option, exercisable for up to 30 days after the date of this prospectus supplement, to purchase up to 390,000 additional shares of Series E Term Preferred Stock at the same price per share as the public offering price, less the underwriting discounts shown on the cover page of this prospectus supplement. The underwriters may exercise such option only to cover over-allotments in the sale of the Series E Term Preferred Stock offered by this prospectus supplement. To the extent that the underwriters exercise this option, each of the underwriters has a firm commitment, subject to certain conditions set forth in the underwriting agreement, to purchase the number of shares of the Series E Term Preferred Stock that is proportionate to such underwriter s initial commitment indicated in the table above.

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The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. The amounts as shown assume (1) no exercise and (2) exercise in full of the underwriters over-allotment option:

	Per share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Public offering price	$ 25.00	25.00	65,000,000	74,750,000
Underwriting discounts and commissions paid by us (3.125% of the public offering price)	$ 0.78125	0.78125	2,031,250	2,335,938
Proceeds to us, before expenses	$ 24.21875	24.21875	62,968,750	72,414,063

We estimate that expenses payable by us in connection with this offering (including reimbursement of underwriters counsel fees of up to $7,500 in connection with the review of this offering by the Financial Industry Regulatory Authority, Inc.), other than underwriting discounts and commissions referred to above, will be approximately $0.3 million.

In connection with this offering and in compliance with applicable securities laws, including Regulation M under the Exchange Act, the underwriters may over-allot (i.e., sell more shares of Series E Term Preferred Stock than the amount shown on the cover page of this prospectus supplement) and may effect transactions that stabilize, maintain or otherwise affect the market price of such shares at levels above those which might otherwise prevail in the open market. Such transactions may include making short sales and placing bids for the Series E Term Preferred Stock or effecting purchases of such shares for the purpose of pegging, fixing or maintaining the market price of such shares or for the purpose of reducing a short position created in connection with this offering. The underwriters may cover a short position by exercising the over-allotment option described above in place of, or in addition to, open market purchases.

Additionally, the underwriters may engage in syndicate covering transactions which involve purchases of Series E Term Preferred Stock in the open market after they have completed the distribution of such shares in order to cover syndicate short positions. In determining the appropriate source of shares to close out a covered short sale, the underwriters may consider, among other things, the market price of such shares compared to the purchase price of shares available under the over-allotment option.

The underwriters may also sell the Series E Term Preferred Stock in excess of the over-allotment option, thereby creating a naked short position. The underwriters must close out any such naked short position by purchasing shares in the open market. The underwriters are more likely to create a naked short position if they are concerned that there may be downward pressure on the price of shares of the Series E Term Preferred Stock in the open market after pricing, which could adversely affect investors who purchase in this offering.

The underwriters may also impose a penalty bid in connection with this offering. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Series E Term Preferred Stock originally sold by such syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions. The imposition of a penalty bid may affect the open market price of the Series E Term Preferred Stock to the extent that it discourages resales of such shares.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that these transactions may have on the market price of the Series E Term Preferred Stock. In addition, we and the underwriters make no representation that the underwriters will engage in such transactions or that such transactions, if and when commenced, will not be discontinued without notice. Each underwriter does not intend to confirm sales of the Series E Term Preferred Stock to any accounts over which it exercises discretionary authority.

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The underwriting agreement provides that we will not, directly or indirectly, sell or otherwise dispose of any shares of the Series E Term Preferred Stock for a period of 45 days after the date of this prospectus supplement without the prior written consent of BMO Capital Markets Corp. and Janney Montgomery Scott LLC, on behalf of the underwriters. The underwriting agreement also provides that our directors and executive officers will agree not to, directly or indirectly, sell or otherwise dispose of any of the Series E Term Preferred Stock or shares of our common stock for a period of 45 days after the date of this prospectus supplement without the prior written consent of BMO Capital Markets Corp. and Janney Montgomery Scott LLC, on behalf of the underwriters.

The terms of the lock-up agreement do not prevent a stockholder party to such agreement from (a) transferring the Series E Term Preferred Stock or shares of our common stock acquired in open market transactions after the completion of this offering, (b) transferring any or all of the Series E Term Preferred Stock or shares of our common stock or other Company securities if the transfer is by (i) gift, will or intestacy, or (ii) distribution to partners, members or stockholders of the undersigned, (c) transferring Series E Term Preferred Stock or shares of our common stock pursuant to any 10b5-1 trading plan in effect prior to the date of this prospectus and (d) entering into any new 10b5-1 plan, provided that no sales of Series E Term Preferred Stock or shares of our common stock or other Company securities shall be made pursuant to such 10b5-1 plan until after the expiration of the lock-up period; provided, however, that in the case of a transfer pursuant to clause (b) above, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding the securities subject to the provisions of the lock-up agreement.

We have agreed to indemnify the underwriters against certain liabilities that they may incur in connection with this offering, including liabilities under the Securities Act.

We have applied to list the Series E Term Preferred Stock on Nasdaq, under the symbol GAINL. We expect the Series E Term Preferred Stock to begin trading on Nasdaq within 30 days of the date of this prospectus supplement though there can be no assurance the Series E Term Preferred Stock will be trading on Nasdaq during this period, or at all. Our common stock is traded on Nasdaq under the symbol GAIN. Our 6.75% Series B Cumulative Term Preferred Stock, our 6.50% Series C Cumulative Term Preferred Stock and our 6.25% Series D Cumulative Term Preferred Stock trade on Nasdaq under the symbols GAINO, GAINN, and GAINM, respectively.

This prospectus supplement and the accompanying prospectus may be made available in electronic format on websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering, and one or more of the underwriters participating in this offering may distribute this prospectus supplement and the accompanying prospectus electronically. BMO Capital Markets Corp. and Janney Montgomery Scott LLC, as representatives of the underwriters, may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus supplement and the accompanying prospectus that are distributed in electronic format, the information on any of these underwriters or selling group members websites, and any other information contained on a website maintained by an underwriter or selling group member, is not part of this prospectus supplement or the accompanying prospectus.

The distribution of this prospectus supplement and the accompanying prospectus and this offering of Series E Term Preferred Stock in certain jurisdictions may be restricted by law. Persons who come into possession of this prospectus supplement and the accompanying prospectus should inform themselves about and observe any such restrictions.

Conflicts of Interest and Other Relationships

The underwriters and/or certain of their affiliates may hold shares of the Series B Cumulative Term Preferred Stock or the Series C Cumulative Term Preferred Stock at the time we intend to redeem the shares of the Series B Cumulative Term Preferred Stock and the Series C Cumulative Term Preferred Stock, respectively. Accordingly, such underwriters and/or their affiliates may receive a portion of the net proceeds from this offering that are used to redeem the Series B Cumulative Term Preferred Stock and the Series C Cumulative Term Preferred Stock.

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The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their 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 account of their customers, and such investment and securities activities may involve our securities and/or instruments. The underwriters and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Offer Restrictions Outside the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the Series E Term Preferred Stock in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement and the accompanying prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement and the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement and accompanying prospectus come are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or solicitation is unlawful.

Alternative Settlement Cycle

We expect that delivery of the Series E Term Preferred Stock will be made against payment therefor on or about August 22, 2018, which will be the fifth business day following the trade date for the issuance of the Series E Term Preferred Stock (such settlement being herein referred to as T+5). Under Rule 15c6-1 promulgated under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series E Term Preferred Stock prior to the date of delivery hereunder will be required, by virtue of the fact that the Series E Term Preferred Stock initially will settle in T+5 business days, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement.

The principal business address of BMO Capital Markets Corp. is 3 Times Square, New York, NY 10036. The principal business address of Janney Montgomery Scott LLC is 1717 Arch Street, Philadelphia, PA 19103. The principal business address of Ladenburg Thalmann & Co. Inc. is 570 Lexington Avenue, 12th Floor, New York, NY 10022. The principal business address of B. Riley FBR, Inc. is 299 Park Avenue, 7th Floor, New York, NY 10171. The principal business address of J.J.B. Hilliard, W.L. Lyons, LLC is 500 W. Jefferson Street, Louisville, KY 40202. The principal business address of Wedbush Securities Inc. is 1000 Wilshire Boulevard, Los Angeles, CA 90017. The principal business address of William Blair & Company, L.L.C. is 150 North Riverside Plaza, Chicago, IL 60606. The principal business address of National Securities Corporation is 200 Vesey Street, 25th Floor, New York, NY 10281. The principal business address of Boenning and Scattergood, Inc. is 4 Tower Bridge, 200 Barr Harbor Drive, Suite

300, West Conshohocken, PA 19428.

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This discussion serves as a supplement to the discussion in the accompanying prospectus under the heading Material U.S. Federal Income Tax Considerations Taxation of Our U.S. Stockholders. That discussion, as supplemented by the following, is a general summary of the material U.S. federal income tax considerations applicable to the Company, to the Company s qualification and taxation as a RIC for U.S. federal income tax purposes under Subchapter M of the Code, and to the acquisition, holding and disposition of shares of Series E Term Preferred Stock by U.S. stockholders (as defined herein). This discussion is based upon the Code, its legislative history, existing and proposed Treasury regulations promulgated thereunder and judicial and administrative ruling authorities, all as currently in effect, all of which are subject to change or differing interpretations, possibly retroactively, which could affect the continuing validity of this discussion. This summary applies only to beneficial owners that acquire their shares of Series E Term Preferred Stock from the Company and that hold such shares as capital assets. This discussion does not apply to any person that is not a U.S. stockholder or to any U.S. stockholder that acquires Series E Term Preferred Stock in connection with a sale, redemption or other disposition by such stockholder of its Series B Term Preferred Stock or its Series C Term Preferred Stock. This summary does not purport to be a complete description of all the income tax considerations applicable to an investment in Series E Term Preferred Stock. This summary does not address the U.S. federal income tax consequences that may be relevant to a particular stockholder or to stockholders that may be subject to special treatment under U.S. federal income tax laws, except where specifically noted. For example, it generally does not describe the tax consequences that may be relevant to certain types of stockholders subject to special treatment under U.S. federal income tax laws, including tax-exempt organizations, entities that are treated as pass-through entities for U.S. federal income tax purposes (including S-corporations), insurance companies, dealers in securities, a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings, tax-exempt stockholders, financial institutions, real estate investment trusts (REITs), RICs, U.S. persons with a functional currency other than the U.S. dollar, persons who have ceased to be U.S. citizens or to be taxed as residents of the U.S., controlled foreign corporations, passive foreign investment companies, and persons that will hold Series E Term Preferred Stock as a position in a straddle, hedge, or as part of a constructive sale for U.S. federal income tax purposes or to the owners or partners of any stockholder. No ruling has been or will be obtained from the Internal Revenue Service (the IRS) regarding any matter relating to the Company or the Series E Term Preferred Stock and no assurance can be given that the IRS would not assert a position contrary to any of the tax aspects described herein. This discussion does not constitute tax advice. Stockholders must consult their own tax advisors as to the U.S. federal income tax consequences of the acquisition, holding and disposition of Series E Term Preferred Stock, as well as the effects of state, local and non-U.S. tax laws.

For purposes of the discussion below, a U.S. stockholder generally is a beneficial owner of Series E Term Preferred Stock that is for U.S. federal income tax purposes: an individual who is a citizen or resident of the U.S.; a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state thereof, including, for this purpose, the District of Columbia; a trust if (i) a U.S. court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons (as defined in the Code) have the authority to control all of the substantial decisions of the trust, or (ii) the trust has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes; or an estate, the income of which is subject to U.S. federal income taxation regardless of its source. This discussion does not apply to persons other than U.S. stockholders. Such stockholders should consult their own tax advisors as to the tax consequences of the acquisition, holding and disposition of shares of Series E Term Preferred Stock.

Redemption of our Series E Term Preferred Stock. Gain or loss, if any, recognized by a U.S. stockholder in connection with our redemption of Series E Term Preferred Stock generally will be taxed as gain or loss from a sale or exchange of Series E Term Preferred Stock if the redemption (a) is not essentially equivalent to a dividend with respect to the U.S. stockholder, (b) results in a complete termination of U.S. stockholder s ownership of our stock or (c) is substantially disproportionate with respect to the U.S. stockholder, in each case, within the meaning of Section 302(b) of the Code the federal income tax laws.

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In determining whether any of these alternative tests has been met, stock considered to be owned by the U.S. stockholder by reason of certain constructive ownership rules in the federal income tax laws, as well as stock actually owned by the U.S. stockholder, generally must be taken into account. The determination as to whether any of the alternative tests described above will be satisfied with respect to the U.S. stockholder depends upon the facts and circumstances at the time that the determination must be made. Stockholders are advised to consult their tax advisors to determine their own tax treatment in the event of a redemption of Series E Term Preferred Stock.

Even if a redemption of our Series E Term Preferred Stock is treated as a sale or exchange, a portion of the amount received by a U.S. stockholder on the redemption may be characterized as dividend income to the extent it is attributable to declared but unpaid dividends.

If a redemption of Series E Term Preferred Stock from a U.S. stockholder is not treated as a sale or exchange for federal income tax purposes, the proceeds of such distribution will be treated for federal income tax purposes as a distribution, the consequences of which are described in the accompanying prospectus under the caption *Material U.S. Federal Income Tax Considerations Taxation of Our U.S. Stockholders Distributions* in the accompanying prospectus.

CUSTODIAN, TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REDEMPTION AND PAYING AGENT

The securities we hold in our portfolio companies are held under a custodian agreement with The Bank of New York Mellon Corp. The address of the custodian is: 500 Ross Street, Suite 625, Pittsburgh, Pennsylvania 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly-owned subsidiary, 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 625, Pittsburgh, Pennsylvania 15262. Computershare acts as our transfer and dividend paying agent and registrar. The principal business address of Computershare is 250 Royall Street, Canton, Massachusetts 02021, telephone number (781) 575-2000. Computershare also maintains an internet website at www.computershare.com and one specifically for shareholders at www.computershare.com/investor.

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MISCELLANEOUS

To the extent that a holder of Series E Term Preferred Stock is directly or indirectly a beneficial owner of more than 10% of any class of our outstanding shares (meaning, for purposes of holders of Series E Term Preferred Stock, more than 10% of our outstanding Series E Term Preferred Stock), such 10% beneficial owner would be subject to the short-swing profit rules that are imposed pursuant to Section 16 of the Exchange Act (and related reporting requirements). These rules generally provide that such a 10% beneficial owner may have to disgorge any profits made on purchases and sales, or sales and purchases, of our equity securities (including the Series E Term Preferred Stock and Common Stock) within any six-month time period. Investors should consult with their own counsel to determine the applicability of these rules.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of 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.

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 and the Preferred Stock may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules) filed with the SEC. The SEC maintains a web site (http://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.

LEGAL MATTERS

The legality of securities offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain legal matters will be passed upon for the underwriters by Proskauer Rose LLP, Washington, D.C.

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 this prospectus supplement 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. The address of PricewaterhouseCoopers LLP is 1800 Tysons Boulevard, McLean, Virginia 22102.

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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.

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 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.

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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.

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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.

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30, 2018	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)
	(653)	2,597

NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS				
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.

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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.

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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)(U)			
			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**

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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**

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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
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.

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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 to Consolidated Financial Statements* for additional information

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED 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.

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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
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

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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**
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.

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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.

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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.

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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.

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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

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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.

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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	Fair Value Measurements: 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	Fair Value Measurements: 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.

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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.

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In accordance with ASC 820, the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of 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.

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(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**

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	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Three months ended June 30, 2017:					
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.

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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%

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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.

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

	Three Months Ended 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.

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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.

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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.

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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.

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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.*

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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:

	Fair Value as of	
	June 30, 2018	**March 31, 2018**
Series B Term Preferred Stock	**$ 42,062**	$ 41,814
Series C Term Preferred Stock	**41,313**	40,862
Series D Term Preferred Stock	**58,466**	58,282
Total	**$ 141,841**	$ 140,958

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NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

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 Equity Offering

In February 2018, we entered into equity distribution 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 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.

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

The following table sets forth the computation of basic and diluted Net increase in net assets resulting from operations per weighted-average common share for the three months ended June 30, 2018 and 2017:

	Three Months Ended June 30, 2018	2017
Numerator: net increase in net assets resulting from operations	**$ 32,327**	$ 8,141
Denominator: basic and diluted weighted-average common shares	**32,762,848**	31,474,284
Basic and diluted net increase in net assets resulting from operations per weighted-average common share	**$ 0.99**	$ 0.26

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, 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). The amount to be paid out as distributions to our common stockholders is determined by our Board of Directors quarterly and is based upon management s estimate of Investment Company Taxable Income and net long-term capital gains. Based on that estimate, our Board of Directors declares monthly distributions, and supplemental distributions, as appropriate, to common stockholders each quarter.

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 each calendar year. Estimates of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of distributions 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 distributions paid to common 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.

We paid the following monthly distributions to our common stockholders for the three months ended June 30, 2018 and 2017:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2019	April 10, 2018	April 20, 2018	April 30, 2018	**$ 0.067**
	April 10, 2018	May 22, 2018	May 31, 2018	**0.067**
	April 10, 2018	June 6, 2018	June 15, 2018	**0.060**[(A)]
	April 10, 2018	June 20, 2018	June 29, 2018	**0.067**
			Three months ended June 30, 2018:	**$ 0.261**

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2018	April 11, 2017	April 21, 2017	April 28, 2017	$ 0.064
	April 11, 2017	May 19, 2017	May 31, 2017	0.064
	April 11, 2017	June 5, 2017	June 15, 2017	0.060[A]
	April 11, 2017	June 21, 2017	June 30, 2017	0.064
			Three months ended June 30, 2017:	$ 0.252

(A) Represents a supplemental distribution of $0.06 per share of common stock.

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Aggregate distributions to our common stockholders declared quarterly and paid were $8.6 million and $8.0 million for the three months ended June 30, 2018 and 2017, respectively, and were declared based on estimates of Investment Company Taxable Income and net long-term capital gains for the respective periods.

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*. For the fiscal year ended March 31, 2018, Investment Company Taxable Income exceeded distributions declared and paid and, in accordance with Section 855(a) of the Code, we elected to treat $8.4 million of the first distributions paid to common stockholders in fiscal year 2019, as having been paid in the prior year.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of June 30, 2018 and March 31, 2018, we had no established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in Restricted cash and cash equivalents, if received in cash but subject to potential obligations or other contractual restrictions, or as escrow receivables in Other assets, net, if not yet received in cash, on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish reserves and holdbacks against escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not ultimately be released or received at the end of the escrow period. Reserves and holdbacks against escrow amounts were $0.8 million and $0.3 million as of June 30, 2018 and March 31, 2018, respectively.

Financial Commitments and Obligations

We may 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 and March 31, 2018 to be immaterial.

We have also extended a guaranty on behalf of one of our portfolio companies. As of June 30, 2018, we have not been required to make any payments on this guaranty, or any guaranties that existed in previous periods, and we consider the credit risk to be remote and the fair value of the guaranty as of June 30, 2018 and March 31, 2018 to be immaterial.

As of June 30, 2018, the following guaranty was outstanding:

In February 2010, we executed a guaranty of a wholesale financing facility agreement (the Floor Plan Facility) between Agricredit Acceptance, LLC (Agricredit) and Country Club Enterprises, LLC

(CCE). The Floor Plan Facility provides CCE with financing of up to $2.0 million to bridge the time and cash flow gap between the order and delivery of golf carts to customers. The guaranty was renewed in February of each subsequent year and expires in February 2019, unless it is renewed again by us, CCE and Agricredit.

The following table summarizes the principal balances of unused line of credit and delayed draw term loan commitments and guaranties as of June 30, 2018 and March 31, 2018, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities:*

	June 30, 2018	March 31, 2018
Unused line of credit and delayed draw term loan commitments	**$ 4,234**	$ 6,284
Guaranties	**2,000**	2,000
Total	**$ 6,234**	$ 8,284

NOTE 11. FINANCIAL HIGHLIGHTS

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Per Common Share Data:		
Net asset value at beginning of period(A)	**$ 10.85**	$ 9.95
Income from investment operations(B)		
Net investment income		0.17
Net realized gain on investments	**0.43**	0.04
Net unrealized appreciation of investments and other	**0.56**	0.05
Total from investment operations	**0.99**	0.26
Effect of equity capital activity(B)		
Cash distributions to common stockholders from net investment income(C)	**(0.21)**	(0.19)
Cash distributions to common stockholders from realized gains(C)	**(0.05)**	(0.06)
Discounts, commissions, and offering costs		(0.03)
Net dilutive effect of equity offering(D)		(0.04)
Total from equity capital activity	**(0.26)**	(0.32)
Other, net(B)(E)	**(0.01)**	(0.01)
Net asset value at end of period(A)	**$ 11.57**	$ 9.88
Per common share market value at beginning of period	**$ 10.10**	$ 9.07
Per common share market value at end of period	**11.77**	9.40
Total investment return(F)	**19.19%**	6.44%
Common stock outstanding at end of period(A)	**32,822,459**	32,526,223
Statement of Assets and Liabilities Data:		

Net assets at end of period	**$**	**379,808**	$	321,235
Average net assets[(G)]		**364,228**		313,668
Senior Securities Data:				
Total borrowings, at cost	**$**	**107,596**	$	39,096
Mandatorily redeemable preferred stock[(H)]		**139,150**		139,150
Ratios/Supplemental Data:				
Ratio of net expenses to average net assets annualized[(I)]		**16.96%**		10.44%
Ratio of net investment income to average net assets annualized[(J)]		**0.06**		6.93

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(A) Based on actual shares of common stock outstanding at the beginning or end of the corresponding period, as appropriate.

(B) Based on weighted-average basic common share data for the corresponding period.

(C) The tax character of distributions is determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP. For further information on the estimated character of our distributions to common stockholders, including changes in estimates, as applicable, refer to Note 9 *Distributions to Common Stockholders*.

(D) During the three months ended June 30, 2017, the dilution is the result of issuing common shares at a price below the then-current NAV per share.

(E) Represents the impact of the different share amounts (weighted-average basic common shares outstanding for the corresponding period and actual common shares outstanding at the end of the period) in the Per Common Share Data calculations and rounding impacts.

(F) Total return equals the change in the market value of our common stock from the beginning of the period, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, including changes in estimates, as applicable, refer to Note 9 *Distributions to Common Stockholders*.

(G) Calculated using the average balance of net assets at the end of each month of the reporting period.

(H) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

(I) Ratio of net expenses to average net assets is computed using total expenses, net of any non-contractual, unconditional, and irrevocable credits of fees from the Adviser. Had we not received any non-contractual, unconditional, and irrevocable credits of fees due to the Adviser, the ratio of expenses to average net assets annualized would have been 19.93% and 13.13% for the three months ended June 30, 2018 and 2017, respectively.

(J) Had we not received any non-contractual, unconditional, and irrevocable credits of fees from the Adviser, the ratio of net investment (loss) income to average net assets annualized would have been (2.90)% and 4.24% for the three months ended June 30, 2018 and 2017, respectively.

NOTE 12. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC s Regulation S-X, we do not consolidate portfolio company investments. Further, in accordance with 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.

We had one unconsolidated subsidiary, Galaxy Tool Holding Corporation (Galaxy), which met at least one of the significance conditions under Rule 1-02(w) of the SEC s Regulation S-X as of or during at least one of the three month periods ended June 30, 2018 and 2017. Accordingly, summarized, comparative financial information, pursuant to Rule 10-01(b) is presented below for Galaxy, which is a designer and manufacturer of precision tools for the business jet industry and of injection and blow molds for the plastics industry.

	For the Three Months Ended June 30,	
Income Statement	**2018**	**2017**
Net sales	**$ 6,212**	$ 5,803
Gross profit	**1,427**	1,028
Net (loss) profit	**(1,480)**	134

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NOTE 13. SUBSEQUENT EVENTS

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**

Investment Activity

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

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Appendix A

CERTIFICATE OF DESIGNATION

OF

6.375% SERIES E CUMULATIVE TERM PREFERRED STOCK DUE 2025

OF

GLADSTONE INVESTMENT CORPORATION

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

Gladstone Investment Corporation, a corporation organized and existing under the laws of the State of Delaware (the ***Corporation***), certifies that pursuant to the authority contained in its amended and restated certificate of incorporation, as amended from time to time (the ***Certificate of Incorporation***), and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware (***DGCL***), the Board of Directors has duly approved and adopted the following resolutions on August 14, 2018:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation (the ***Board of Directors*** which term as used herein shall include any duly authorized committee of the Board of Directors) by the Certificate of Incorporation and as set forth in Section 151 of the DGCL, the Board of Directors does hereby approve to classify 3,500,000 authorized but unissued shares of Preferred Stock of the Corporation without designation as to series, with a par value of $0.001 per share, as 6.375% Series E Cumulative Term Preferred Stock due 2025 (***Series E Term Preferred Stock***), having the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and in this resolution as follows:

1.1 Definitions. Unless the context or use indicates another or different meaning or intent, each of the following terms when used in this Certificate of Designation shall have the meaning ascribed to it below:

1940 Act means the Investment Company Act of 1940, as amended, or any successor statute.

1940 Act Asset Coverage means asset coverage, as defined for purposes of Sections 18(h) and 61 of the 1940 Act, in an amount at least equal to the minimum asset coverage applicable to the Corporation pursuant to Sections 18 and 61 of the 1940 Act, as such sections may be amended from time to time, with respect to all outstanding senior securities of the Corporation, including all outstanding shares of Preferred Stock.

Adviser means Gladstone Management Corporation, a Delaware corporation, or such other entity as shall be then serving as the investment adviser of the Corporation, and shall include, as appropriate, any sub-adviser duly appointed by the Adviser and approved in accordance with the requirements of the 1940 Act.

Asset Coverage means asset coverage of a class of senior security, as defined for purposes of Sections 18(h) and 61 of the 1940 Act, determined for the Corporation and its majority-owned subsidiaries (as such term is defined in the 1940 Act and subject to any exemptive relief from the SEC) on a consolidated basis and on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of such determination in an amount at least equal to the minimum asset coverage applicable to the Corporation as set forth in Sections 18 and 61 of the 1940 Act, as such sections may be amended from time to time.

Asset Coverage Cure Date means, with respect to the failure by the Corporation to have Asset Coverage at the time specified in Section 2.4(a), the date that is ninety (90) calendar days following the date of such failure.

Board of Directors has the meaning as set forth in the Preamble of this Certificate of Designation.

Business Day means any calendar day on which the NASDAQ is open for trading.

By-laws means the Amended and Restated By-laws of the Corporation, as amended or restated from time to time.

Calendar Quarter means any of the three month periods ending March 31, June 30, September 30, or December 31 of each year.

Capital Stock means the capital stock of the Corporation authorized by the Certificate of Incorporation.

Certificate of Designation means this Certificate of Designation, as amended from time to time.

Certificate of Incorporation has the meaning as set forth in the Preamble to this Certificate of Designation.

Change of Control Redemption has the meaning set forth in Section 2.5(d).

Change of Control Redemption Date means a date selected by the Corporation for the Change of Control Redemption, which date shall be within three (3) Business Days after the occurrence of the applicable Change of Control Triggering Event.

Change of Control Redemption Price has the meaning set forth in Section 2.5(d).

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the Corporation s assets and the assets of the Corporation s subsidiaries, taken as a whole, to any Person, other than the Corporation or one of the Corporation s subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Corporation s outstanding Voting Stock or other Voting Stock into which the Corporation s Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) the Corporation consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Corporation, in any such event pursuant to a transaction in which any of the Corporation s outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Corporation s Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to the Corporation s liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) the Corporation becomes a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Corporation s Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

Code means the Internal Revenue Code of 1986, as amended.

Common Stock means the shares of common stock, with a par value of $0.001 per share, of the Corporation.

Corporation has the meaning as set forth in the Preamble to this Certificate of Designation.

Custodian means a bank, as defined in Section 2(a)(5) of the 1940 Act, that has the qualifications prescribed in paragraph 1 of Section 26(a) of the 1940 Act, or such other entity as shall be providing custodian services to the Corporation as permitted by the 1940 Act or any rule, regulation, or order thereunder, and shall include, as appropriate, any similarly qualified sub-custodian duly appointed by the Custodian.

Custodian Agreement means the Custodian Agreement by and among the Custodian and the Corporation with respect to the Series E Term Preferred Stock.

Date of Original Issue means August 22, 2018.

Default has the meaning as set forth in Section 2.2(g)(i).

Default Period has the meaning as set forth in Section 2.2(g)(i).

Default Rate has the meanings as set forth in Section 2.2(g)(i).

Deposit Securities means, as of any date, any United States dollar-denominated security or other investment of a type described below that either (i) is a demand obligation payable to the holder thereof on any Business Day or (ii) has a maturity date, mandatory redemption date or mandatory payment date, on its face or at the option of the holder, preceding the relevant Redemption Date, Dividend Payment Date or other payment date in respect of which such security or other investment has been deposited or set aside as a Deposit Security:

(A) cash or any cash equivalent;

(B) any U.S. Government Obligation;

(C) any Short-Term Money Market Instrument;

(D) any investment in any money market fund registered under the 1940 Act that qualifies under Rule 2a-7 under the 1940 Act, or similar investment vehicle described in Rule 12d1-1(b)(2) under the 1940 Act, that invests principally in Short-Term Money Market Instruments or U.S. Government Obligations or any combination thereof; or

(E) any letter of credit from a bank or other financial institution that has a credit rating from at least one nationally recognized statistical rating organization that is the highest applicable rating generally ascribed by such rating agency to bank deposits or short-term debt of similar banks or other financial institutions as of the date of this Certificate of Designation (or such rating s future equivalent).

DGCL has the meaning set forth in the preamble to this Certificate of Designation.

Dividend Default shall have the meaning as set forth in Section 2.2(g)(i).

Dividend Payment Date means the last Business Day of each Dividend Period.

Dividend Period means, with respect to each share of Series E Term Preferred Stock, in the case of the first Dividend Period, the period beginning on the Date of Original Issue and ending on and including September 30, 2018 and for each subsequent Dividend Period, the period beginning on and including the first calendar day of the month following the month in which the previous Dividend Period ended and ending on and including the last calendar day of such month.

Dividend Rate means, as of any date, the Fixed Dividend Rate as adjusted, if a Default Period shall be in existence on such date, in accordance with the provisions of Section 2.2(g).

Electronic Means means email transmission, facsimile transmission or other similar electronic means of communication providing evidence of transmission (but excluding online communications systems covered by a separate agreement) acceptable to the sending party and the receiving party, in any case if operative as between any two parties, or, if not operative, by telephone (promptly confirmed by any other method set forth in this definition), which, in the case of notices to the Redemption and Paying Agent and the Custodian, shall be sent by such means to each of its representatives set forth in the Redemption and Paying Agent Agreement and the Custodian Agreement, respectively.

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Exchange Act means the U.S. Securities Exchange Act of 1934, as amended.

Fixed Dividend Rate means 6.375% per annum.

Holder means, with respect to the Series E Term Preferred Stock or any other security issued by the Corporation, a Person in whose name such security is registered in the registration books of the Corporation maintained by the Redemption and Paying Agent or otherwise.

Liquidation Preference means $25.00 per share.

Mandatory Redemption Price has the meaning as set forth in Section 2.5(b)(i).

Market Value of any asset means, for securities for which market quotations are readily available, the market value thereof determined by an independent third-party pricing service designated from time to time by the Board of Directors. Market Value of any asset shall include any interest accrued thereon. The pricing service values portfolio securities at the mean between the quoted bid and asked price or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available are valued at fair value as determined by the pricing service using methods that include consideration of: yields or prices of securities of comparable quality, type of issue, coupon, maturity and rating; indications as to value from dealers; and general market conditions. The pricing service may employ electronic data processing techniques or a matrix system, or both, to determine recommended valuations.

NASDAQ means the Nasdaq Global Select Market.

Non-Call Period means the period beginning on the Date of Original of Issue and ending at the close of business on August 30, 2020, during which the Series E Term Preferred Stock shall not be subject to redemption at the option of the Corporation.

Notice of Redemption has the meaning as set forth in Section 2.5(e).

Optional Redemption Date has the meaning as set forth in Section 2.5(c)(i).

Optional Redemption Price has the meaning as set forth in Section 2.5(c)(i).

Outstanding means, as of any date with respect to the Series E Term Preferred Stock, the number of shares of Series E Term Preferred Stock theretofore issued by the Corporation except (without duplication):

(i) any shares of the Series E Term Preferred Stock theretofore cancelled or redeemed or delivered to the Redemption and Paying Agent for cancellation or redemption in accordance with the terms hereof;

(ii) any shares of Series E Term Preferred Stock as to which the Corporation shall have given a Notice of Redemption and irrevocably deposited with the Redemption and Paying Agent sufficient Deposit Securities to redeem such shares in accordance with Section 2.5 hereof; and

(iii)

any shares of Series E Term Preferred Stock as to which the Corporation shall be the Holder or the beneficial owner.

Person means and includes an individual, a partnership, a trust, a corporation, a limited liability company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Preferred Stock means any Capital Stock of the Corporation classified as preferred stock, now or hereafter issued by the Corporation, and any other shares of Capital Stock hereafter authorized and issued by the Corporation of a class having priority over any other class as to distribution of assets or payments of dividends.

Redemption and Paying Agent means Computershare Inc. and its successors or any other redemption and paying agent appointed by the Corporation with respect to the Series E Term Preferred Stock.

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Redemption and Paying Agent Agreement means the Redemption and Paying Agent Agreement or other similarly titled agreement by and among the Redemption and Paying Agent for the Series E Term Preferred Stock and the Corporation.

Redemption Date has the meaning as set forth in Section 2.5(e).

Redemption Default has the meaning as set forth in Section 2.2(g)(i).

Redemption Price means the Term Redemption Price, the Mandatory Redemption Price, the Optional Redemption Price or the Change of Control Redemption Price, as applicable.

SEC means the Securities and Exchange Commission.

SEC Report means, with respect to any Calendar Quarter, the Corporation s Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed by the Corporation with the SEC with respect to such Calendar Quarter (or, in the case of the Calendar Quarter that is the last Calendar Quarter in the Corporation s fiscal year, with respect to the fiscal year that includes such Calendar Quarter).

Securities Depository means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Corporation that agrees to follow the procedures required to be followed by such securities depository as set forth in this Certificate of Designation with respect to the Series E Term Preferred Stock.

Series E Term Preferred Stock has the meaning as set forth in the preamble hereto.

Short-Term Money Market Instruments means the following types of instruments if, on the date of purchase or other acquisition thereof by the Corporation, the remaining term to maturity thereof is not in excess of 180 days:

(i) commercial paper rated A-1 if such commercial paper matures within 30 days or A-1+ if such commercial paper matures in over 30 days;

(ii) demand or time deposits in, and bankers acceptances and certificates of deposit of (A) a depository institution or trust company incorporated under the laws of the United States of America or any state thereof or the District of Columbia or (B) a United States branch office or agency of a foreign depository institution (provided that such branch office or agency is subject to banking regulation under the laws of the United States, any state thereof or the District of Columbia); and

(iii) overnight funds.

Term Redemption Date means August 31, 2025.

Term Redemption Price has the meaning set forth in Section 2.5(a).

U.S. Government Obligations means direct obligations of the United States or of its agencies or instrumentalities that are entitled to the full faith and credit of the United States and that, other than United States treasury bills, provide for the periodic payment of interest and the full payment of principal at maturity or call for redemption.

Voting Period has the meaning as set forth in Section 2.6(b)(i).

Voting Stock means, with respect to any specified Person that is a corporation as of any date, the capital stock of such Person that is as of such date entitled to vote generally in the election of the directors of such Person.

1.2 Interpretation. The headings preceding the text of the Sections included in this Certificate of Designation are for convenience only and shall not be deemed part of this Certificate of Designation or be given any effect in interpreting this Certificate of Designation. The use of the masculine, feminine or neuter gender or the singular or plural form of words herein shall not limit any provision of this Certificate of Designation. The use of the terms including or include shall in all cases herein mean including, without limitation or include, without limitation, respectively. Reference to any Person includes such Person s successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually.

Reference to any agreement (including this Certificate of Designation), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof. Except as otherwise expressly set forth herein, reference to any law means such law as amended, modified, codified, replaced or re-enacted, in whole or in part, including rules, regulations, enforcement procedures and any interpretations promulgated thereunder. Underscored references to Sections shall refer to those portions of this Certificate of Designation. The use of the terms hereunder, hereof, hereto and words of similar import shall refer to this Certificate of Designation as a whole and not to any particular Section or clause of this Certificate of Designation.

2.1 Number of Shares; Ranking.

(a) A series of 3,500,000 shares of Preferred Stock are hereby designated as the Series E Term Preferred Stock. Each share of Series E Term Preferred Stock shall have such preferences, voting powers, restrictions, limitations as to dividends and distributions, qualifications and terms and conditions of redemption, in addition to those required by applicable law and those that are expressly set forth in the Certificate of Incorporation, as are set forth in this Certificate of Designation. The Series E Term Preferred Stock shall constitute a separate series of Capital Stock and each share of Series E Term Preferred Stock shall be identical. No fractional shares of Series E Term Preferred Stock shall be issued.

(b) The Series E Term Preferred Stock shall rank on parity with shares of any other series of Preferred Stock as to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Corporation. The Series E Term Preferred Stock shall have preference with respect to the payment of dividends and as to distribution of assets upon dissolution, liquidation or winding up of the affairs of the Corporation over the Common Stock as set forth herein.

(c) No Holder of shares of Series E Term Preferred Stock shall have, solely by reason of being such a Holder, any preemptive or other right to acquire, purchase or subscribe for any share of Preferred Stock or share of Common Stock or other securities of the Corporation that it may hereafter issue or sell.

2.2 Dividends and Distributions.

(a) The Holders of shares of Series E Term Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, or a duly authorized committee thereof, out of funds legally available therefor and in preference to dividends and distributions on the Common Stock, cumulative cash dividends and distributions on each share of Series E Term Preferred Stock, calculated separately for each Dividend Period for the Series E Term Preferred Stock at the Dividend Rate in effect from time to time for the Series E Term Preferred Stock during such Dividend Period, computed on the basis of a 360-day year consisting of twelve 30-day months, on an amount equal to the Liquidation Preference for a share of the Series E Term Preferred Stock, and no more. Dividends and distributions on the Series E Term Preferred Stock shall accumulate from the Date of Original Issue and shall be payable monthly in arrears as provided in Section 2.2(f). Dividends payable on the Series E Term Preferred Stock for any period of less than a full monthly Dividend Period (including the period of less than a full calendar month included in the first Dividend Period) or upon any redemption of such shares on any Redemption Date other than on a Dividend Payment Date, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed for any period of less than one month.

(b) Dividends on shares of the Series E Term Preferred Stock with respect to any Dividend Period shall be declared to the Holders of record of such shares as their names shall appear on the registration books of the Corporation at the close of business on the applicable record date, which shall be such date designated by the Board of Directors that is not more than twenty (20) nor less than seven (7) calendar days prior to the Dividend Payment Date with respect to such Dividend Period, and shall be paid as provided further in Section 2.2(f) hereof; provided, however, that dividends with respect to the first Dividend Period of the Series E Term Preferred Stock will be paid on September 28, 2018 to holders of record of such Series E Term Preferred Stock as their names appear on the registration books of the Corporation at the close of business on September 19, 2018.

(c)(i) No full dividends and distributions shall be declared or paid on shares of the Series E Term Preferred Stock for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent dividend payment dates therefor for all outstanding shares of Preferred Stock have been or contemporaneously are declared and paid through the most recent dividend payment dates therefor. If full cumulative dividends and distributions due have not been declared and paid on all outstanding Preferred Stock of any series, any dividends and distributions being declared and paid on the Series E Term Preferred Stock will be declared and paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of Preferred Stock on the relevant dividend payment date for such series. No Holders of shares of Series E Term Preferred Stock shall be entitled to any dividends and distributions, whether payable in cash, property or shares, in excess of full cumulative dividends and distributions as provided in this Section 2.2(c)(i) on the Series E Term Preferred Stock.

(ii) For so long as any shares of Series E Term Preferred Stock are Outstanding, the Corporation shall not: (x) declare any dividend or other distribution (other than a dividend or distribution paid in shares of Common Stock) in respect of the Common Stock, (y) call for redemption, redeem, purchase or otherwise acquire for consideration any Common Stock, or (z) pay any proceeds of the liquidation of the Corporation in respect of the Common Stock, unless, in each case, (A) immediately thereafter, the Corporation shall have 1940 Act Asset Coverage after deducting the amount of such dividend or distribution or redemption or purchase price or liquidation proceeds, (B) all cumulative dividends and distributions on all shares of Series E Term Preferred Stock and all other Preferred Stock ranking on a parity with the Series E Term Preferred Stock due on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition shall have been declared and paid (or shall have been declared and Deposit Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment thereof shall have been deposited irrevocably with the paying agent for such Preferred Stock) and (C) the Corporation shall have deposited Deposit Securities pursuant to and in accordance with the requirements of Section 2.5(e)(ii) hereof with respect to Outstanding shares of Series E Term Preferred Stock to be redeemed pursuant to Section 2.5(a), Section 2.5(b), or Section 2.5(d) hereof for which a Notice of Redemption shall have been given or shall have been required to be given in accordance with the terms hereof on or prior to the date of the applicable dividend, distribution, redemption, purchase or acquisition.

(iii) Any dividend payment made on shares of Series E Term Preferred Stock shall first be credited against the dividends and distributions accumulated with respect to the earliest Dividend Period for which dividends and distributions have not been paid.

(d) Not later than 12:00 noon, New York City time, on the Dividend Payment Date, the Corporation shall deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value on such date sufficient to pay the dividends and distributions that are payable on such Dividend Payment Date. The Corporation may direct the Redemption and Paying Agent with respect to the investment or reinvestment of any such Deposit Securities prior to the Dividend Payment Date, provided that such investment consists exclusively of Deposit Securities and provided further that the proceeds of any such investment will be available as same day funds at the opening of business on such Dividend Payment Date.

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(e) All Deposit Securities paid to the Redemption and Paying Agent for the payment of dividends payable on the Series E Term Preferred Stock shall be held in trust for the payment of such dividends by the Redemption and Paying Agent for the benefit of the Holders entitled to the payment of such dividends pursuant to Section 2.2(f). Any moneys paid to the Redemption and Paying Agent in accordance with the foregoing but not applied by the Redemption and Paying Agent to the payment of dividends, including interest earned on such moneys while so held, will, to the extent permitted by law, be repaid to the Corporation as soon as possible after the date on which such moneys were to have been so applied, upon request of the Corporation.

(f) Dividends on shares of Series E Term Preferred Stock shall be paid on each Dividend Payment Date to the Holders of shares as their names appear on the registration books of the Corporation at the close of business on the applicable record date for such dividend. Dividends in arrears on shares of Series E Term Preferred Stock for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date, to the Holders of shares as their names appear on the registration books of the Corporation on such date, not exceeding twenty (20) nor less than seven (7) calendar days preceding the payment date thereof, as may be fixed by the Board of Directors. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment or payments on shares of Series E Term Preferred Stock which may be in arrears.

(g)(i) The Dividend Rate on the Series E Term Preferred Stock shall be adjusted to the Default Rate (as defined below) in the following circumstances. Subject to the cure provisions below, a ***Default Period*** with respect to the Series E Term Preferred Stock shall commence on any date the Corporation fails to deposit with the Redemption and Paying Agent by 12:00 noon, New York City time, on (A) a Dividend Payment Date, Deposit Securities that will provide funds available to the Redemption and Paying Agent on such Dividend Payment Date sufficient to pay the full amount of any dividend payable on such Dividend Payment Date (a ***Dividend Default***) or (B) an applicable Redemption Date, Deposit Securities that will provide funds available to the Redemption and Paying Agent on such Redemption Date sufficient to pay the full amount of the Redemption Price payable in respect of such Series on such Redemption Date (a ***Redemption Default*** and together with a Dividend Default, hereinafter referred to as ***Default***). Subject to the cure provisions of Section 2.2(g)(ii) below, a Default Period with respect to a Default on the Series E Term Preferred Stock shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid Redemption Price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of any Default on the Series E Term Preferred Stock, the Dividend Rate for each calendar day during the Default Period will be equal to the Default Rate. The ***Default Rate*** on the Series E Term Preferred Stock for any calendar day shall be equal to the Fixed Dividend Rate plus 3.00% per annum.

(ii) No Default Period for the Series E Term Preferred Stock with respect to any Default on the Series E Term Preferred Stock shall be deemed to commence if the amount of any dividend or any Redemption Price due in respect of the Series E Term Preferred Stock (if such Default is not solely due to the willful failure of the Corporation) is deposited irrevocably in trust, in same-day funds, with the Redemption and Paying Agent by 12:00 noon, New York City time, on a Business Day that is not later than five (5) Business Days after the applicable Dividend Payment Date or Redemption Date with respect to which such Default occurred, together with an amount equal to the Default Rate applied to the amount and period of such non-payment based on the actual number of calendar days comprising such period divided by 360.

2.3 Liquidation Rights.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the Holders of shares of Series E Term Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the Common Stock, a liquidation distribution equal to the Liquidation Preference for such shares, plus an amount equal to all unpaid dividends and distributions on such shares accumulated up to, but excluding, the date fixed for such distribution or payment on such shares (whether or not earned or declared by the Corporation, but excluding interest thereon), and such Holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up.

(b) If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the assets of the Corporation available for distribution among the Holders of all Outstanding shares of Series E Term Preferred Stock and any other outstanding Preferred Stock shall be insufficient to permit the payment in full to such Holders of the Liquidation Preference of such shares of Series E Term Preferred Stock plus accumulated and unpaid dividends and distributions on such shares as provided in Section 2.3(a) above and the amounts due upon liquidation with respect to such other Preferred Stock, then such available assets shall be distributed among the Holders of such shares of Series E Term Preferred Stock and such other Preferred Stock ratably in proportion to the respective preferential liquidation amounts to which they are entitled. In connection with any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, unless and until the Liquidation Preference on each Outstanding share of Series E Term Preferred Stock plus accumulated and unpaid dividends and distributions on such shares as provided in Section 2.3(a) above have been paid in full to the Holders of such shares, no dividends, distributions or other payments will be made on, and no redemption, purchase or other acquisition by the Corporation will be made by the Corporation in respect of, shares of the Common Stock.

(c) Neither the sale of all or substantially all of the property or business of the Corporation, nor the merger, consolidation or reorganization of the Corporation into or with any other business or statutory trust, corporation or other entity, nor the merger, consolidation or reorganization of any other business or statutory trust, corporation or other entity into or with the Corporation shall be a dissolution, liquidation or winding up, whether voluntary or involuntary, for the purpose of this Section 2.3.

2.4 Coverage Test.

(a) **Asset Coverage Requirement**. For so long as any shares of Series E Term Preferred Stock are Outstanding, the Corporation shall have Asset Coverage as of the time of any of the following: declaration of dividends or distributions on Common Stock (other than a dividend payable in shares of Common Stock) after deducting such dividend or distribution, the time of purchase by the Corporation of shares of Common Stock, or issuance of any senior security as defined in the 1940 Act that is stock. If the Corporation shall fail to maintain such Asset Coverage as of any time as of which such compliance is required to be determined as aforesaid, the provisions of Section 2.5(b)(i) shall be applicable, which provisions shall constitute the sole remedy for the Corporation s failure to comply with the provisions of this Section 2.4(a).

(b) **Calculation of Asset Coverage**. For purposes of determining whether the requirements of Section 2.4(a) are satisfied, (i) no Series E Term Preferred Stock or other Preferred Stock shall be deemed to be Outstanding for purposes of any computation required by Section 2.4(a) if, prior to or concurrently with such determination, either (x) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of any Preferred Stock) to pay the full redemption price for the Preferred Stock (or the portion thereof to be redeemed) shall have been deposited in trust with the paying agent for the Preferred Stock and the requisite notice of redemption for the Preferred Stock (or the portion thereof to be redeemed) shall have been given or (y) sufficient Deposit Securities or other sufficient funds (in accordance with the terms of the Preferred Stock) to pay the full redemption price for the Preferred Stock (or the portion thereof to be redeemed) shall have been segregated by the Custodian and the Corporation from the assets of the Corporation, by means of appropriate identification on the Custodian s books and records or otherwise in accordance with the Custodian s normal procedures, and (ii) the Deposit Securities or other sufficient funds that shall have been deposited with the applicable paying agent and/or segregated by the Custodian, as applicable, as provided in clause (i) of this sentence shall not be included as assets of the Corporation for purposes of such computation.

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2.5 Redemption. Shares of Series E Term Preferred Stock shall be subject to redemption by the Corporation as provided below:

(a) **Term Redemption**. The Corporation shall redeem all shares of Series E Term Preferred Stock on the Term Redemption Date, at a price per share equal to the Liquidation Preference per share plus an amount equal to all unpaid dividends and distributions on such share accumulated up to, but excluding, the Term Redemption Date (whether or not earned or declared by the Corporation, but excluding interest thereon) (the ***Term Redemption Price***).

(b) **Asset Coverage Mandatory Redemption**.

(i) If the Corporation fails to comply with the Asset Coverage requirement as provided in Section 2.4(a) and such failure is not cured as of the Asset Coverage Cure Date, the Corporation shall, to the extent permitted by the 1940 Act and Delaware law, by the close of business on such Asset Coverage Cure Date, fix a redemption date and proceed to redeem in accordance with the terms of such Preferred Stock, a sufficient number of shares of Preferred Stock, which at the Corporation s sole option (to the extent permitted by the 1940 Act and Delaware law) may include any number or proportion of the shares of Series E Term Preferred Stock, to enable it to meet the requirements of Section 2.5(b)(ii). In the event that any shares of Series E Term Preferred Stock then Outstanding are to be redeemed pursuant to this Section 2.5(b)(i), the Corporation shall redeem such shares at a price per share (the ***Mandatory Redemption Price***) equal to (y) the Liquidation Preference per share plus (z) an amount equal to all unpaid dividends and distributions on such share accumulated up to, but excluding, the date fixed for such redemption by the Board of Directors (whether or not earned or declared by the Corporation, but excluding interest thereon).

(ii) On the Redemption Date for a redemption contemplated by Section 2.5(b)(i), the Corporation shall redeem, out of funds legally available therefor, such number of shares of Preferred Stock (which may include at the sole option of the Corporation any number or proportion of the shares of Series E Term Preferred Stock) as shall be equal to the lesser of (x) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in the Corporation having Asset Coverage on such Asset Coverage Cure Date (provided, however, that if there is no such minimum number of shares of Series E Term Preferred Stock and other shares of Preferred Stock the redemption or retirement of which would have such result, all shares of Series E Term Preferred Stock and other shares of Preferred Stock then outstanding shall be redeemed), and (y) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available therefor in accordance with the Certificate of Incorporation and applicable law, provided further, that in connection with redemption for failure to maintain such Asset Coverage requirement, the Corporation may at its sole option, but is not required to, redeem a sufficient number of shares of Series E Term Preferred Stock pursuant to this Section 2.5(b) that, when aggregated with other shares of Preferred Stock redeemed by the Corporation, would result, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, in the Corporation having asset coverage (as defined for purposes of Sections 18(h) and 61 of the 1940 Act) of a percentage that is up to and including 50% higher than Asset Coverage. The Corporation shall effect such redemption on the date fixed by the Corporation therefor, which date shall not be later than ninety (90) calendar days after such Asset Coverage Cure Date, except that if the Corporation does not have funds legally available for the redemption of all of the required number of shares of Series E Term Preferred Stock and other shares of Preferred Stock which have been designated to be redeemed or the Corporation otherwise is unable to effect such redemption on or prior to ninety

(90) calendar days after such Asset Coverage Cure Date, the Corporation shall redeem those shares of Series E Term Preferred Stock and other shares of Preferred Stock which it was unable to redeem on the earliest practicable date on which it is able to effect such redemption. If fewer than all of the Outstanding shares of Series E Term Preferred Stock are to be redeemed pursuant to this Section 2.5(b), the number of shares of Series E Term

Preferred Stock to be redeemed shall be redeemed (A) pro rata among the Outstanding shares of Series E Term Preferred Stock, (B) by lot or (C) in such other manner as the Board of Directors may determine to be fair and equitable.

(c) **Optional Redemption.**

(i) Subject to the provisions of Section 2.5(c)(ii), on any Business Day following the expiration of the Non-Call Period for shares of Series E Term Preferred Stock (any such Business Day referred to in this sentence, an ***Optional Redemption Date***), the Corporation may redeem in whole or from time to time in part the Outstanding shares of Series E Term Preferred Stock, at a redemption price per share (the ***Optional Redemption Price***) equal to (y) the Liquidation Preference per share plus (z) an amount equal to all unpaid dividends and distributions on such share of Series E Term Preferred Stock accumulated up to, but excluding, the Optional Redemption Date (whether or not earned or declared by the Corporation, but excluding interest thereon).

(ii) If fewer than all of the outstanding shares of Series E Term Preferred Stock are to be redeemed pursuant to Section 2.5(c)(i), the shares of Series E Term Preferred Stock to be redeemed shall be selected either (A) pro rata, (B) by lot or (C) in such other manner as the Board of Directors may determine to be fair and equitable. Subject to the provisions of this Certificate of Designation and applicable law, the Board of Directors will have the full power and authority to prescribe the terms and conditions upon which shares of Series E Term Preferred Stock will be redeemed pursuant to this Section 2.5(c) from time to time.

(iii) The Corporation may not on any date deliver a Notice of Redemption pursuant to Section 2.5(e) in respect of a redemption contemplated to be effected pursuant to this Section 2.5(c) unless on such date the Corporation has available Deposit Securities for the Optional Redemption Date contemplated by such Notice of Redemption having a Market Value not less than the amount due to Holders of shares of Series E Term Preferred Stock by reason of the redemption of such shares of Series E Term Preferred Stock on such Optional Redemption Date.

(d) **Change of Control Redemption.** If a Change of Control Triggering Event occurs, unless the Corporation has exercised the option to redeem such Series E Term Preferred Stock pursuant to Section 2.5(c), the Corporation shall redeem all of the outstanding shares of Series E Term Preferred Stock on the Change of Control Redemption Date, at a price per share (the ***Change of Control Redemption Price***) equal to (y) the Liquidation Preference per share plus (z) an amount equal to all accumulated and unpaid dividends and distributions on such share up to, but excluding the Change of Control Redemption Date (whether or not earned or declared by the Corporation, but excluding interest thereon) (the ***Change of Control Redemption***).

(e) **Procedures for Redemption.**

(i) If the Corporation shall determine or be required to redeem, in whole or in part, shares of Series E Term Preferred Stock pursuant to Section 2.5(b), (c) or (d), the Corporation shall deliver a notice of redemption (the ***Notice of Redemption***), by overnight delivery, by first class mail, postage prepaid or by Electronic Means to Holders thereof, or request the Redemption and Paying Agent, on behalf of the Corporation, to promptly do so by overnight delivery, by first class mail, postage prepaid or by Electronic Means. A Notice of Redemption shall be provided not more than forty-five (45) calendar days prior to the date fixed for redemption in such Notice of Redemption (the ***Redemption Date***); provided, however, that, in the event of a Change of Control Redemption, the Notice of Redemption will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring and, provided further, that if, by the date that is three

(3) Business Days prior to the date fixed for redemption in such Notice of Redemption, the Change of Control Triggering Event shall not have occurred, the Redemption Date shall be extended until a date, to be selected by the Corporation, that is no more than three (3) Business Days after the date on which the Change of Control Triggering Event occurs. Each such Notice of Redemption shall state: (A) the Redemption Date; (B) the number of

shares of Series E Term Preferred Stock to be redeemed; (C) the CUSIP number for shares of Series E Term Preferred Stock; (D) the applicable Redemption Price on a per share basis; (E) if applicable, the place or places where the certificate(s) for such shares (properly endorsed or assigned for transfer, if the Board of Directors requires and the Notice of Redemption states) are to be surrendered for payment of the Redemption Price; (F) that dividends on the shares of Series E Term Preferred Stock to be redeemed will cease to accumulate from and after such Redemption Date; and (G) the provisions of this Certificate of Designation under which such redemption is made. If fewer than all shares of Series E Term Preferred Stock held by any Holder are to be redeemed, the Notice of Redemption delivered to such Holder shall also specify the number of shares of Series E Term Preferred Stock to be redeemed from such Holder or the method of determining such number. The Corporation may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to this Certificate of Designation that such redemption is subject to one or more conditions precedent and that the Corporation shall not be required to effect such redemption unless each such condition has been satisfied at the time or times and in the manner specified in such Notice of Redemption. No defect in the Notice of Redemption or delivery thereof shall affect the validity of redemption proceedings, except as required by applicable law.

(ii) If the Corporation shall give a Notice of Redemption, then at any time from and after the giving of such Notice of Redemption and prior to 12:00 noon, New York City time, on the Redemption Date (so long as any conditions precedent to such redemption have been met or waived by the Corporation), the Corporation shall (A) deposit with the Redemption and Paying Agent Deposit Securities having an aggregate Market Value on the date thereof no less than the Redemption Price of the shares of Series E Term Preferred Stock to be redeemed on the Redemption Date and (B) give the Redemption and Paying Agent irrevocable instructions and authority to pay the applicable Redemption Price to the Holders of the shares of Series E Term Preferred Stock called for redemption on the Redemption Date. The Corporation may direct the Redemption and Paying Agent with respect to the investment of any Deposit Securities consisting of cash so deposited prior to the Redemption Date, provided that the proceeds of any such investment shall be available at the opening of business on the Redemption Date as same day funds.

(iii) Upon the date of the deposit of such Deposit Securities, all rights of the Holders of the shares of Series E Term Preferred Stock so called for redemption shall cease and terminate except the right of the Holders thereof to receive the Redemption Price thereof and such shares of Series E Term Preferred Stock shall no longer be deemed Outstanding for any purpose whatsoever (other than (A) the transfer thereof prior to the applicable Redemption Date and (B) the accumulation of dividends thereon in accordance with the terms hereof up to, but excluding, the applicable Redemption Date, which accumulated dividends, unless previously or contemporaneously declared and paid as contemplated by the last sentence of Section 2.5(e)(vi) below, shall be payable only as part of the applicable Redemption Price on the Redemption Date). The Corporation shall be entitled to receive, promptly after the Redemption Date, any Deposit Securities in excess of the aggregate Redemption Price of the shares of Series E Term Preferred Stock called for redemption on the Redemption Date. Any Deposit Securities so deposited that are unclaimed at the end of ninety (90) calendar days from the Redemption Date shall, to the extent permitted by law, be repaid to the Corporation, after which the Holders of the shares of Series E Term Preferred Stock so called for redemption shall look only to the Corporation for payment of the Redemption Price thereof. The Corporation shall be entitled to receive, from time to time after the Term Redemption Date, any interest on the Deposit Securities so deposited.

(iv) Notwithstanding the other provisions of this Section 2.5, except as otherwise required by law, the Corporation shall not redeem any shares of Series E Term Preferred Stock unless all accumulated and unpaid dividends and distributions on all Outstanding shares of Preferred Stock ranking on a parity with the Series E Term Preferred Stock with respect to dividends and distributions for all applicable past dividend periods (whether or not earned or declared by the Corporation) (x) shall have been or are contemporaneously paid or (y) shall have been or are contemporaneously declared and Deposit

Securities or sufficient funds (in accordance with the terms of such Preferred Stock) for the payment of such dividends and distributions shall have been or are contemporaneously deposited with the Redemption and Paying Agent or other applicable paying agent for such Preferred Stock in accordance with the terms of such Preferred Stock, provided, however, that the foregoing shall not prevent the purchase or acquisition of Outstanding shares of Series E Term Preferred Stock pursuant to an otherwise lawful purchase or exchange offer made on the same terms to Holders of all Outstanding shares of Series E Term Preferred Stock and any other series of Preferred Stock for which all accumulated and unpaid dividends and distributions have not been paid.

(v) To the extent that any redemption for which Notice of Redemption has been provided is not made by reason of the absence of legally available funds therefor in accordance with the Certificate of Incorporation and applicable law, such redemption shall be made as soon as practicable to the extent such funds become available. No Redemption Default shall be deemed to have occurred if the Corporation shall fail to deposit in trust with the Redemption and Paying Agent the Redemption Price with respect to any shares where (1) the Notice of Redemption relating to such redemption provided that such redemption was subject to one or more conditions precedent and (2) any such condition precedent shall not have been satisfied at the time or times and in the manner specified in such Notice of Redemption. Notwithstanding the fact that a Notice of Redemption has been provided with respect to any shares of Series E Term Preferred Stock, dividends may be declared and paid on the shares of Series E Term Preferred Stock in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such shares of Series E Term Preferred Stock shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

(vi) Notwithstanding Section 2.5(a), (b), (c) and (d), if such Redemption Date occurs after the applicable record date for a dividend but on or prior to the related Dividend Payment Date, the dividend payable on such Dividend Payment Date in respect of such Series E Term Preferred Stock shall be payable on such Dividend Payment Date to the holders of record of such shares of Series E Term Preferred Stock at the close of business on the applicable record date, and shall not be payable as part of the Redemption Price for such shares of Series E Term Preferred Stock.

(f) **Redemption and Paying Agent as Trustee of Redemption Payments by Corporation**. All Deposit Securities transferred to the Redemption and Paying Agent for payment of the Redemption Price of the shares of Series E Term Preferred Stock called for redemption shall be held in trust by the Redemption and Paying Agent for the benefit of Holders of shares of Series E Term Preferred Stock so to be redeemed until paid to such Holders in accordance with the terms hereof or returned to the Corporation in accordance with the provisions of Section 2.5(e)(iii) above.

(g) **Compliance With Applicable Law**. In effecting any redemption pursuant to this Section 2.5, the Corporation shall use its best efforts to comply with all applicable conditions precedent to effecting such redemption under the 1940 Act and any applicable Delaware law, but shall effect no redemption except in accordance with the 1940 Act and any applicable Delaware law.

(h) **Modification of Redemption Procedures**. Notwithstanding the foregoing provisions of this Section 2.5, the Corporation may, in its sole discretion and without a stockholder vote, modify the procedures set forth above with respect to notification of redemption for the shares of Series E Term Preferred Stock, provided that such modification does not materially and adversely affect the Holders of the shares of Series E Term Preferred Stock or cause the Corporation to violate any applicable law, rule or regulation; and provided further that no such modification shall in any way alter the rights or obligations of the Redemption and Paying Agent without its prior consent.

2.6 Voting Rights.

(a) **One Vote Per Share of Series E Term Preferred Stock**. Except as otherwise provided in the Certificate of Incorporation or as otherwise required by applicable law, (i) each Holder of shares of Series E Term Preferred

Stock shall be entitled to one vote for each share of Series E Term Preferred Stock held by such Holder on each matter submitted to a vote of stockholders of the Corporation, and (ii) the holders of outstanding shares of Preferred Stock, including Outstanding shares of Series E Term Preferred Stock, and of outstanding shares of Common Stock shall vote together as a single class; provided, however, that the holders of outstanding shares of Preferred Stock, including Outstanding shares of Series E Term Preferred Stock, shall be entitled, as a class, to the exclusion of the Holders of all other securities and classes of Capital Stock of the Corporation, to elect two Directors of the Corporation at all times. Subject to Section 2.6(b), the Holders of outstanding shares of Common Stock and Preferred Stock, including shares of Series E Term Preferred Stock, voting together as a single class, shall elect the balance of the Directors.

(b) **Voting For Additional Directors.**

(i) **Voting Period**. During any period in which any one or more of the conditions described in clauses (A) or (B) of this Section 2.6(b)(i) shall exist (such period being referred to herein as a ***Voting Period***), the number of Directors constituting the Board of Directors shall be automatically increased by the smallest number that, when added to the two Directors elected exclusively by the Holders of Preferred Stock, including shares of Series E Term Preferred Stock, would constitute a majority of the Board of Directors as so increased by such smallest number; and the Holders of Preferred Stock, including Series E Term Preferred Stock, shall be entitled, voting as a class on a one-vote-per-share basis (to the exclusion of the Holders of all other securities and classes of capital stock of the Corporation), to elect such smallest number of additional Directors, together with the two Directors that such Holders are in any event entitled to elect. A Voting Period shall commence:

(A) if, at the close of business on any dividend payment date for any outstanding Preferred Stock including any Outstanding shares of Series E Term Preferred Stock, accumulated dividends (whether or not earned or declared) on such outstanding share of Preferred Stock equal to at least two (2) full years dividends shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with the Redemption and Paying Agent or other applicable paying agent for the payment of such accumulated dividends; or

(B) if at any time Holders of shares of Preferred Stock are otherwise entitled under the applicable provisions of the 1940 Act to elect a majority of the Board of Directors.

Upon the termination of a Voting Period, the voting rights described in this Section 2.6(b)(i) shall cease, subject always, however, to the revesting of such voting rights in the Holders of shares of Preferred Stock upon the further occurrence of any of the events described in this Section 2.6(b)(i).

(ii) **Notice of Special Meeting**. As soon as practicable after the accrual of any right of the Holders of shares of Preferred Stock to elect additional Directors as described in Section 2.6(b)(i), the Corporation shall call a special meeting of such Holders and notify the Redemption and Paying Agent and/or such other Person as is specified in the terms of such Preferred Stock to receive notice (i) by mailing or delivery by Electronic Means or (ii) in such other manner and by such other means as are specified in the terms of such Preferred Stock, a notice of such special meeting to such Holders, such meeting to be held not less than ten (10) nor more than thirty (30) calendar days after the date of the delivery by Electronic Means or mailing of such notice. If the Corporation fails to call such a special meeting, it may be called at the expense of the Corporation by any such Holder on like notice. The record date for determining the Holders of shares of Preferred Stock entitled to notice of and to vote at such special meeting shall be the close of business on the fifth (5th) Business Day preceding the calendar day on which such notice is mailed. At any such special meeting and at each meeting of Holders of shares of Preferred Stock held during a Voting Period at which Directors are to be elected, such Holders, voting together as a class (to the exclusion of the Holders of all other securities and classes of capital stock of the Corporation), shall be entitled to elect the number of Directors prescribed in Section 2.6(b)(i) on a one-vote-per-share basis.

(iii) **Terms of Office of Existing Directors**. The terms of office of the incumbent Directors of the Corporation at the time of a special meeting of Holders of the shares of Preferred Stock to elect additional Directors in accordance with Section 2.6(b)(i) shall not be affected by the election at such meeting by the Holders of shares of Series E Term Preferred Stock and such other Holders of shares of Preferred Stock of the number of Directors that they are entitled to elect, and the Directors so elected by the Holders of shares of Series E Term Preferred Stock and such other Holders of shares of Preferred Stock, together with the two (2) Directors elected by the Holders of shares of Preferred Stock in accordance with Section 2.6(a) hereof and the remaining Directors elected by the holders of the shares of Common Stock and Preferred Stock, shall constitute the duly elected Directors of the Corporation.

(iv) **Terms of Office of Certain Directors to Terminate Upon Termination of Voting Period**. Simultaneously with the termination of a Voting Period, the terms of office of the additional Directors elected by the Holders of the shares of Preferred Stock pursuant to Section 2.6(b)(i) shall terminate, the remaining Directors shall constitute the Directors of the Corporation and the voting rights of the Holders of shares of Preferred Stock to elect additional Directors pursuant to Section 2.6(b)(i) shall cease, subject to the provisions of the last sentence of Section 2.6(b)(i).

(c) **Holders of Shares of Series E Term Preferred Stock to Vote on Certain Matters.**

(i) **Certain Amendments Requiring Approval of Series E Term Preferred Stock**. Except as otherwise permitted by the terms of this Certificate of Designation, so long as any shares of Series E Term Preferred Stock are Outstanding, the Corporation shall not, without the affirmative vote or consent of the Holders of at least two-thirds (2/3) of the shares of Series E Term Preferred Stock Outstanding at the time, voting together as a separate class, amend, alter or repeal the provisions of the Certificate of Incorporation, or this Certificate of Designation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of such shares of Series E Term Preferred Stock or the Holders thereof; provided, however, that (i) a change in the capitalization of the Corporation in accordance with Section 2.7 hereof shall not be considered to materially and adversely affect the rights and preferences of the Series E Term Preferred Stock, and (ii) a division of a share of Series E Term Preferred Stock shall be deemed to affect such preferences, rights or powers only if the terms of such division materially and adversely affect the Holders of the shares of Series E Term Preferred Stock. For purposes of the foregoing, no matter shall be deemed to adversely affect any preference, right or power of a share of Series E Term Preferred Stock or the Holder thereof unless such matter (i) alters or abolishes any preferential right of such share of Series E Term Preferred Stock, or (ii) creates, alters or abolishes any right in respect of redemption of such share of Series E Term Preferred Stock(other than as a result of a division of a share of Series E Term Preferred Stock). So long as any shares of Series E Term Preferred Stock are Outstanding, the Corporation shall not, without the affirmative vote or consent of the Holders of at least 66 2/3% of the shares of Series E Term Preferred Stock Outstanding at the time, voting as a separate class, file a voluntary application for relief under Federal bankruptcy law or any similar application under state law for so long as the Corporation is solvent and does not foresee becoming insolvent. The Corporation cannot change the Fixed Dividend Rate or amend, alter or repeal its obligation to redeem all of the Series E Term Preferred Stock on August 31, 2025 without the prior unanimous consent of the holders of Series E Term Preferred Stock.

(ii) **1940 Act Matters**. Unless a higher percentage is provided for in the Certificate of Incorporation, the affirmative vote of the Holders of at least a majority of the outstanding shares of Preferred Stock, including shares of Series E Term Preferred Stock Outstanding at the time, voting as a separate class, shall be required (A) to approve the Corporation ceasing to be a business development company, or to approve the Corporation s withdrawal of its election to be regulated as a business development company under the 1940 Act, or (B) to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares. For purposes of the foregoing, the vote of a majority of the outstanding shares of Preferred Stock means the vote at an annual or special meeting duly called of

(i) sixty-seven percent (67%) or more of such shares present at a meeting, if the Holders of more than fifty percent (50%) of such shares are present or represented by proxy at such meeting, or (ii) more than fifty percent (50%) of such shares, whichever is less.

(d) **Voting Rights Set Forth Herein Are Sole Voting Rights**. Unless otherwise required by law or the Certificate of Incorporation, the Holders of shares of Series E Term Preferred Stock shall not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in this Section 2.6.

(e) **No Cumulative Voting**. The Holders of shares of Series E Term Preferred Stock shall have no rights to cumulative voting.

(f) **Voting for Directors Sole Remedy for Corporation s Failure to Declare or Pay Dividends**. In the event that the Corporation fails to declare or pay any dividends on shares of Series E Term Preferred Stock on the Dividend Payment Date therefor, the exclusive remedy of the Holders of the shares of Series E Term Preferred Stock shall be the right to vote for Directors pursuant to the provisions of this Section 2.6. Nothing in this Section 2.6(f) shall be deemed to affect the obligation of the Corporation to accumulate and, if permitted by applicable law, the Certificate of Incorporation and this Certificate of Designation, pay dividends at the Default Rate in the circumstances contemplated by Section 2.2(g) hereof.

(g) **Holders Entitled to Vote**. For purposes of determining any rights of the Holders of shares of Series E Term Preferred Stock to vote on any matter, whether such right is created by this Certificate of Designation, by the Certificate of Incorporation, by statute or otherwise, no Holder of shares of Series E Term Preferred Stock shall be entitled to vote any share of Series E Term Preferred Stock and no share of Series E Term Preferred Stock shall be deemed to be Outstanding for the purpose of voting or determining the number of shares required to constitute a quorum if, prior to or concurrently with the time of determination of shares entitled to vote or the time of the actual vote on the matter, as the case may be, the requisite Notice of Redemption with respect to such shares of Series E Term Preferred Stock shall have been given in accordance with this Certificate of Designation and Deposit Securities for the payment of the Redemption Price of such share of Series E Term Preferred Stock shall have been deposited in trust with the Redemption and Paying Agent for that purpose. No share of Series E Term Preferred Stock held by the Corporation shall have any voting rights or be deemed to be outstanding for voting or for calculating the voting percentage required on any other matter or other purposes.

2.7 Issuance of Additional Preferred Stock.

So long as any shares of Series E Term Preferred Stock are Outstanding, the Corporation may, without the vote or consent of the Holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of senior securities of the Corporation representing stock under Sections 18 and 61 of the 1940 Act, ranking on a parity with the Series E Term Preferred Stock as to the payment of dividends and the distribution of assets upon dissolution, liquidation or the winding up of the affairs of the Corporation, in addition to then Outstanding shares of Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, including additional shares of Series E Term Preferred Stock, in each case in accordance with applicable law, provided that the Corporation shall, immediately after giving effect to the issuance of such additional shares of Preferred Stock and to its receipt and application of the proceeds thereof, including to the redemption of shares of Preferred Stock with such proceeds, have Asset Coverage.

2.8 Status of Redeemed or Repurchased Series E Term Preferred Stock.

Shares of Series E Term Preferred Stock that at any time have been redeemed or purchased by the Corporation shall, after such redemption or purchase, have the status of authorized but unissued shares of Capital Stock.

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2.9 Global Certificate.

Prior to the commencement of a Voting Period, (i) all shares of Series E Term Preferred Stock Outstanding from time to time shall be represented by one global certificate registered in the name of the Securities Depository or its nominee and (ii) no registration of transfer of shares of such Series E Term Preferred Stock shall be made on the books of the Corporation to any Person other than the Securities Depository or its nominee. The foregoing restriction on registration of transfer shall be conspicuously noted on the face or back of the global certificates.

2.10 Notice.

All notices or communications hereunder, unless otherwise specified in this Certificate of Designation, shall be sufficiently given if in writing and delivered in person, by Electronic Means or by overnight mail or delivery or mailed by first-class mail, postage prepaid. Notices delivered pursuant to this Section 2.10 shall be deemed given on the date received or, if mailed by first class mail, on the date five (5) calendar days after which such notice is mailed.

2.11 Termination.

In the event that no shares of Series E Term Preferred Stock are Outstanding, all rights and preferences of the shares of Series E Term Preferred Stock established and designated hereunder shall cease and terminate, and all obligations of the Corporation under this Certificate of Designation with respect to such Series E Term Preferred Stock shall terminate.

2.12 Amendment.

The Board of Directors may, by resolution duly adopted, without stockholder approval (except as otherwise provided by this Certificate of Designation or required by applicable law) amend this Certificate of Designation so as to reflect any amendments to the terms applicable to the Series E Term Preferred Stock, including an increase in the number of authorized shares of the Series E Term Preferred Stock.

2.13 Actions on Other than Business Days.

Unless otherwise provided herein, if the date for making any payment, performing any act or exercising any right, in each case as provided for in this Certificate of Designation, is not a Business Day, such payment shall be made, act performed or right exercised on the next succeeding Business Day, with the same force and effect as if made or done on the nominal date provided therefor, and, with respect to any payment so made, no dividends, interest or other amount shall accrue for the period between such nominal date and the date of payment.

2.14 Modification.

The Board of Directors, without the vote of the Holders of Series E Term Preferred Stock, may interpret, supplement or amend the provisions of this Certificate of Designation to supply any omission, resolve any inconsistency or ambiguity or to cure, correct or supplement any defective or inconsistent provision, including any provision that becomes defective after the date hereof because of impossibility of performance or any provision that is inconsistent with any provision of any other Capital Stock of the Corporation.

2.15 Information Rights.

During any period in which the Corporation is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series E Term Preferred Stock are outstanding, the Corporation will provide holders of Series E Term Preferred Stock, without cost, copies of SEC Reports that the Corporation would have been required to file pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation was subject to such provisions or, alternatively, the Corporation will voluntarily file SEC Reports as if the Corporation was subject to Section 13 or 15(d) of the Exchange Act.

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2.16 No Additional Rights.

Unless otherwise required by law or the Certificate of Incorporation, the Holders of shares of Series E Term Preferred Stock shall not have any relative rights or preferences or other special rights other than those specifically set forth in this Certificate of Designation.

[Signature Page Begins on the Following Page]

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed by its duly authorized officer as of this 15th day of August, 2018.

GLADSTONE INVESTMENT CORPORATION

By:	/s/ David Gladstone
Name:	David Gladstone
Title:	Chairman and Chief Executive Officer

S-A-19

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

PROSPECTUS

$300,000,000

COMMON STOCK

PREFERRED STOCK

SUBSCRIPTION RIGHTS

WARRANTS

DEBT SECURITIES

We may offer, from time to time, up to $300,000,000 aggregate primary offering price of our common stock, $0.001 par value per share, preferred stock, $0.001 par value per share, debt securities, subscription rights, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or concurrent, separate offerings of these securities (collectively Securities), in one or more offerings. The Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. In the case of our common stock and warrants or rights to acquire such common stock hereunder, the offering price per share of our common stock by us, less any underwriting commissions or discounts, will not be less than the net asset value per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the holders of the majority of our outstanding stock, or (iii) under such other circumstances as the U.S. Securities and Exchange Commission (SEC) may permit. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We operate as an externally managed, closed-end, non-diversified management investment company and have 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). 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.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See *Plan of Distribution.* We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The Nasdaq Global Select Market under the symbol GAIN. As of July 12, 2018, the last reported sales price of our common stock was $11.81, and the net asset value per share of our common stock on May 8, 2018 (the last date prior to the date of this prospectus as of which we determined our net asset value per share) was $10.85. Our 6.75% Series B Cumulative Term Preferred Stock, our 6.50% Series C Cumulative Term Preferred Stock and our 6.25% Series D Cumulative Term Preferred Stock trade on The Nasdaq Global Select Market under the symbols GAINO, GAINN, and GAINM, respectively. As of July 12, 2018, the last reported sales price of our 6.75% Series B Cumulative Term Preferred Stock, 6.50% Series C Cumulative Term Preferred Stock and 6.25% Series D Cumulative Term Preferred Stock was $25.59, $25.35, and $25.36, respectively.

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.

An investment in our Securities involves certain risks, including, among other things, the risk of leverage and risks relating to investments in securities of small, private and developing businesses. We describe some of these risks in the section entitled *Risk Factors*, which begins on page 13. Common shares of closed-end investment companies frequently trade at a discount to their net asset value per share. If our shares trade at a discount to their net asset value, this will likely increase the risk of loss to purchasers of our Securities. You should carefully consider these risks together with all of the other information contained in this prospectus and any prospectus supplement before making a decision to purchase our Securities.

This prospectus contains information you should know before investing in our Securities, including information about risks. Please read it before you invest and keep it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the SEC and can be accessed at its website at *www.sec.gov*. This information is also available free of charge by writing to us at Investor Relations, Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 100, McLean, VA 22102, by calling our toll-free investor relations line at 1-866-214-7543 or on our website at *http://www.gladstoneinvestment.com*. You may also call us collect at (703) 287-5893 to request this other information. See *Additional Information.* Information contained on our website is not incorporated by reference into this prospectus, and you should not consider that information to be part of this prospectus. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

The SEC has not approved or disapproved these Securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

July 13, 2018

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus or any accompanying supplement to this prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or any accompanying prospectus supplement as if we had authorized it. This prospectus and any prospectus supplement do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any prospectus supplement is accurate as of the dates on their respective covers only. Our business, financial condition, results of operations and prospects may have changed since such dates. We will update these documents to reflect material changes only as required by law.

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the shelf registration process. Under the shelf registration process, we may offer, from time to time, up to $300,000,000 of our Securities on terms to be determined at the time of the offering. This prospectus provides you with a general description of the Securities that we may offer. Each time we use this prospectus to offer Securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. We may sell the Securities through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers or

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through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent required by law, we will amend or supplement the information contained in this prospectus and any accompanying prospectus supplement to reflect any material changes to such information subsequent to the date of the prospectus and any accompanying prospectus supplement and prior to the completion of any offering pursuant to the prospectus and any accompanying prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with any exhibits, the additional information described under *Available Information* and *Risk Factors* before you make an investment decision.

PROSPECTUS SUMMARY

The following summary highlights some of the information in this prospectus. It is not complete and may not contain all the information that you may want to consider. You should read the entire prospectus and any prospectus supplement carefully, including the section entitled Risk Factors. Except where the context suggests otherwise, the terms we, us, our, the Company, the Fund and Gladstone Investment refer to Gladstone Investment Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; Gladstone Commercial refers to Gladstone Commercial Corporation; Gladstone Capital refers to Gladstone Capital Corporation; Gladstone Land refers to Gladstone Land Corporation; Gladstone Securities refers to Gladstone Securities, LLC; and Gladstone Companies refers to our Adviser and its affiliated companies.

General

We were incorporated under the General Corporation Law 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. Since our initial public offering in 2005 and through March 31, 2018, we have made 153 consecutive monthly distributions to common stockholders.

Our shares of common stock, 6.75% Series B Cumulative Term Preferred Stock, par value $0.001 per share (Series B Term Preferred Stock), 6.50% Series C Cumulative Term Preferred Stock due 2022, par value $0.001 per share (Series C Term Preferred Stock) and 6.25% Series D Cumulative Term Preferred Stock due 2023, par value $0.001 per share (Series D Term Preferred Stock , together with the Series B Term Preferred Stock and the Series C Term Preferred Stock, the Term Preferred Stock) are traded on the Nasdaq Global Select Market (Nasdaq) under the trading symbols GAIN, GAINO, GAINN, and GAINM, respectively.

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 the Administrator, another of our affiliates, 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, a publicly-traded real estate investment trust; Gladstone Capital, a publicly-traded BDC and RIC; and Gladstone Land, a publicly-traded real estate investment trust (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 Advisers Act). The

Administrator was organized as a limited liability company under the laws of the State of Delaware on

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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 March 31, 2018, our investment portfolio was made up of 73.8% in debt securities and 26.2% 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 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, acquisition, or recapitalization 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, as applicable, 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.

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 March 31, 2018, our loan portfolio consisted of 97.0% variable rate loans with floors and 3.0% 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

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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 March 31, 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 March 31, 2018, we have made investments in 47 companies, excluding investments in syndicated loans.

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 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* 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.

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Risk Factors

Investing in our securities involves a high degree of risk. You should consider carefully the information found in the section entitled *Risk Factors* on page 9 of this prospectus, including the following risks:

- general volatility of the capital markets and the market price of our common and preferred stock;
- the availability of additional capital on attractive terms or at all;
- uncertainty regarding the valuation of our portfolio investments;
- lack of liquidity of our portfolio investments;
- lack of control over our portfolio companies and the timing, form and amount of distributions from our portfolio companies;
- the size and concentration of our portfolio;
- our use of leverage;
- the impact of a decline in liquidity of credit markets and changes in interests rates on our business and portfolio of investments;
- our ability to maintain our status as a RIC and BDC;
- dilution risks related to issuance of shares at or below the then-current net asset value (NAV) per share;
- our ability to pay distributions on our common stock upon issuance of additional preferred stock or debt securities ranking senior to our common stock
- our Adviser s ability to attract and retain highly qualified personnel, and particularly its ability to retain our key officers, including Mr. Gladstone, our chairman and chief executive officer; Mr. David Dullum, our president; or Mr. Brubaker, our vice chairman and chief operating officer;

competition for investment opportunities;

our Adviser s ability to identify and invest in companies that meet our investment criteria; and

actual and potential conflicts of interest with our Adviser.

Recent Developments

Investment Activity

In June 2018, we sold our investment in Drew Foam Companies, Inc. which had a cost basis and fair value of $13.4 million and $28.1 million, respectively, as of March 31, 2018. In connection with the sale, we received net cash proceeds of approximately $27.2 million, including the repayment of our debt investment of $9.9 million at par.

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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**

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THE OFFERING

We may offer, from time to time, up to $300,000,000 of our Securities, at prices and on terms to be determined at the time of the offering to be disclosed in one or more prospectus supplements. In the case of our common stock and warrants or rights to acquire such common stock hereunder in any offering, the offering price per share, less any underwriting commissions or discounts, will not be less than NAV per share of our common stock at the time of the offering except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the majority of our common stockholders or (iii) under such other circumstances as the SEC may permit. If we were to sell shares of our common stock below our then-current NAV per share, as we did at times from March to May 2018 under the at-the-market program, and in other offerings in May 2017, March 2015, and October 2012, such sales would result in an immediate dilution to the NAV per share. Such a share issuance would also cause a proportionately greater decrease in a stockholder s interest in our earnings and assets than the increase in our assets resulting from such issuance.

Our Securities may be offered directly to one or more purchasers, including existing stockholders in a rights offering, by us or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our Securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See *Plan of Distribution.* We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our Securities.

Set forth below is additional information regarding the offering of our Securities:

Common stock trading symbol (Nasdaq)	GAIN
Series B Term Preferred Stock trading symbol (Nasdaq)	GAINO
Series C Term Preferred Stock trading symbol (Nasdaq)	GAINN
Series D Term Preferred Stock trading symbol (Nasdaq)	GAINM
Use of proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our Securities first to pay down outstanding debt, 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. See *Use of Proceeds.*

Dividends and distributions	We have paid monthly distributions to the holders of our common stock since July 2005 and intend to continue to do so. We have paid monthly dividends on each series of our Term Preferred Stock since the date of issuance of the respective series of such Term Preferred Stock. The amount of the monthly distribution on our common stock is determined by our board of directors (Board of Directors) on a quarterly basis and is based on our estimate of annual taxable ordinary income plus the excess of our net short-term capital gains

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	over net long-term capital losses (Investment Company Taxable Income), if any. See *Price Range of Common Stock and Distributions*. 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.
Taxation	We have elected to be treated, and intend to maintain qualification as a RIC under Subchapter M of the Code and we generally do not expect to be subject to U.S. federal income taxes. To maintain our RIC status, we must maintain our status as a BDC, meet specified source-of-income and asset diversification requirements, and distribute annually at least 90% of our Investment Company Taxable Income, if any, out of assets legally available for distribution. See *Material U.S. Federal Income Tax Considerations*.
Trading at a discount	Common shares of closed-end investment companies, including BDCs, frequently trade at a discount to their NAV per share. The possibility that our shares of common stock may trade at a 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 shares will trade above, at or below NAV per share, although during the past three years, our common stock has frequently traded, and at times significantly, below NAV per share.
Certain anti-takeover provisions	Our Board of Directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to provide us with a greater likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain provisions of Delaware law and other measures we have adopted. See *Certain Provisions of Delaware Law and of Our Certificate of Incorporation and Bylaws*.
Dividend reinvestment plan	Our transfer agent, Computershare Inc. (Computershare), offers a dividend reinvestment plan for our common stockholders. This is an opt in dividend reinvestment plan, meaning that stockholders may elect to have their cash dividends automatically reinvested in additional shares of our common stock. Stockholders who do not elect to do so will receive their dividends in cash. 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. See *Dividend Reinvestment Plan* and *Material U.S. Federal Income Tax Considerations*.

Management arrangements	Gladstone Management serves as our investment adviser, and Gladstone Administration serves as our administrator. For a description of our Adviser, our Administrator, the Gladstone Companies and our contractual arrangements with these companies, see *Business Transactions with Related Parties Investment Advisory and Management Agreement* and *Management Certain Transactions Investment Advisor and Administrator.*

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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 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 March 31, 2018, and average net assets for the quarter ended March 31, 2018. The table and examples below include all fees and expenses of our consolidated subsidiaries.

Stockholder Transaction Expenses:	
Sales load (as a percentage of offering price)[1]	%
Offering expenses (as a percentage of offering price)[1]	%
Dividend reinvestment plan expenses (per sales transaction fee)[2]	Up to $25.00 Transaction Fee
Total stockholder transaction expenses[1]	%
Annual expenses (as a percentage of net assets attributable to common stock)[3] :	
Base Management fee[4]	3.44%
Loan servicing fee[5]	1.93%
Incentive fees payable under the Advisory Agreement (20% of net realized capital gains in excess of unrealized depreciation and 20% of pre-incentive fee net investment income)[6]	6.23%
Interest payments on borrowed funds[7]	1.96%
Dividend expense on mandatorily redeemable preferred stock[8]	2.85%
Other expenses[9]	1.00%
Total annual expenses[10]	17.41%

(1) The amounts set forth in the table above do not reflect the impact of any sales load or other offering expenses borne by Gladstone Investment and its stockholders. The prospectus supplement relating to an offering of securities pursuant to this prospectus will disclose the offering price and the estimated offering expenses and total stockholder transaction expenses borne by Gladstone Investment and its stockholders as a percentage of the offering price. In the event that securities to which this prospectus relates are sold to or through underwriters, the prospectus supplement will also disclose the applicable sales load.

(2) 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. See *Dividend Reinvestment Plan* for information on the dividend reinvestment plan.

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

(4) In accordance with the Advisory Agreement between us and our Adviser, our annual base management fee is 2.00% (0.50% 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 stockholders. For purposes of the table, the annualized base management fee has been converted to 3.44% of the average net assets for the three months ended March 31, 2018 by dividing the total annualized amount of the base management fee by our average net assets. The base management fee for the three months ended March 31, 2018 before application of any credits was $3.0 million.

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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 (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 three months ended March 31, 2018, $1.1 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* and footnote 5 below.

(5) 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 our Adviser receives a 2.0% 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 Fifth Amended and Restated Credit Agreement, as further amended, (the Credit Facility), with KeyBank National Association as administrative agent, lead arranger and a lender. 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 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 March 31, 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.*

(6) 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 March 31, 2018, the income-based incentive fee was $1.7 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. For the three months ended March 31, 2018, we recorded a capital gains-based incentive fee of $3.6 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.

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No credits were applied to the incentive fee for the three months ended March 31, 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% × (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% × (catch-up : 2.1875% 1.75%)) + (20% × (2.30% 2.1875%))

= (100% × 0.4375%) + (20% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

Assuming 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% × (6% 1%)

= 20% × 5%

= 1%

For a more detailed discussion of the calculation of the two-part incentive fee, see *Business Transactions with Related Parties Investment Advisory and Management Agreement*.

(7) Includes amortization of deferred financing costs. As of March 31, 2018, we had $107.0 million in borrowings outstanding under our Credit Facility.

(8) 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 Term Preferred Stock for additional information.

(9) Includes our overhead expenses, including payments under the Administration Agreement based on our 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.*

(10) Total annualized gross expenses, based on actual amounts incurred for the three months ended March 31, 2018, would be $59.9 million. After all non-contractual, unconditional, and irrevocable credits described in footnote 4 and footnote 5 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 March 31, 2018, would be $48.7 million, or 14.16% as a percentage of average net assets.

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Example

The following examples demonstrate 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 we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. The amounts set forth below do not reflect the impact of any sales load or offering expenses to be borne by Gladstone Investment and its stockholders. In the prospectus supplement relating to an offering of securities pursuant to this prospectus, the examples below will be restated to reflect the impact of the estimated offering expenses borne by Gladstone Investment and its stockholders and, in the event that securities to which this prospectus relates are sold to or through underwriters, the impact of the applicable sales load. **The examples 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% annual return, our performance will vary and may result in a return greater or less than 5%.**

	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)	$ 117	$ 329	$ 513	$ 875
assuming a 5% annual return consisting entirely of capital gains(2)(3)	$ 126	$ 351	$ 542	$ 907

(1) For purposes of this example, we have assumed that the entire amount of the assumed 5% 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 March 31, 2018. While we recorded a capital gains-based incentive fee of $3.6 million in accordance with GAAP during the three months ended March 31, 2018, this amount is not contractually due under the terms of the Advisory Agreement. Because the assumed 5% annual return is significantly below the hurdle rate of 7% (annualized) that we must achieve under the Advisory 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% 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* for additional information regarding the dividend reinvestment plan.

(3) For purposes of this example, we have assumed that the entire amount of the assume 5% annual return would constitute capital gains and that no accumulated capital losses or unrealized depreciation exist that would have to be overcome first before a capital gains-based incentive fee is payable.

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RISK FACTORS

You should carefully consider the risks described below and all other information provided in this prospectus (and any prospectus supplement) before making a decision to purchase our Securities. 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 could decline, and you may lose all or part of your investment. We believe the risk factors described below are the principal risk factors associated with an investment in our Securities as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to make the types of investments we seek to make in Lower Middle Market companies. We generally compete with public and private buyout funds, commercial and investment banks, commercial financing companies, and, to the extent that they provide an alternative form of financing, hedge funds, mutual funds, and private equity. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which would allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. The competitive pressures we face could have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective. We do not seek to compete based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors pricing, terms, and structure. However, if we match our competitors pricing, terms, and structure, we may experience decreased net interest income and increased risk of credit loss.

Our investments in Lower Middle Market portfolio companies are extremely risky and could cause you to lose all or a part of your investment.

Investments in Lower Middle Market portfolio companies are subject to a number of significant risks including the following:

Lower Middle Market businesses are likely to be more significantly impacted in economic downturns than larger businesses. Our portfolio companies may have fewer resources than larger businesses, and any economic downturns or recessions, are more likely to have a material adverse effect on them. In the event that the economy contracts, it is likely that the financial results of Lower Middle Market businesses, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and an increase in defaults.

Consequently, if one of our portfolio companies is adversely impacted by a recession, its ability to repay our loan(s) or engage in a liquidity event, such as a sale, recapitalization or initial public offering would be diminished.

Lower Middle Market businesses may have limited financial resources and may not be able to repay the loans we make to them. Our strategy includes providing financing to portfolio companies that typically do not have readily available access to financing. While we believe that this provides an attractive opportunity for us to generate profits, this may make it difficult for the portfolio companies to repay their loans to us upon maturity. A borrower s ability to repay its loan(s) may be adversely affected by numerous factors, including the failure to meet its business plan, a downturn in its industry or negative economic conditions. Deterioration in a borrower s financial condition and prospects usually will be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of realizing on any guaranties we may have obtained from the borrower s management. As of March 31, 2018, certain loans to two portfolio companies 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. While we are working with the portfolio companies to improve their profitability and cash flows, there can be no assurance that our efforts will prove successful. Although we will generally seek to be a secured first lien lender to a borrower, in some of our loans we expect to be subordinated to a senior lender and our security interest in any collateral would, accordingly, likely be second lien and subordinate to another lender s security interest.

Lower Middle Market businesses typically have narrower product lines and smaller market shares than large businesses. Our target portfolio companies tend to be more vulnerable to competitors actions and market conditions, as well as general economic downturns. In addition, our portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and other capabilities and a larger number of qualified managerial and technical personnel.

There is generally little or no publicly available information about these businesses. Because we seek to invest in privately owned businesses, there is generally little or no publicly available operating and financial information about our potential portfolio companies. As a result, we rely on our officers, the Adviser and its employees, Gladstone Securities and consultants to perform due diligence investigations of these portfolio companies, their operations, and their prospects. We may not learn all of the material information we need to know regarding these businesses through our investigations to make a well-informed investment decision.

Lower Middle Market businesses generally have less predictable operating results. We expect that our portfolio companies may have significant variations in their operating results, may from time to time be exposed to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, may otherwise have a weak financial position or may be adversely affected by changes in the business cycle. Our portfolio companies may not meet net income, cash flow and other coverage tests typically imposed by their senior lenders. A borrower s failure to satisfy financial or operating covenants imposed by senior lenders could lead to defaults and, potentially, foreclosure on its senior credit facility, which could additionally trigger cross-defaults in other agreements. If this were to occur, it is possible that the borrower s ability to repay our loan(s) would be jeopardized.

Lower Middle Market businesses are more likely to be dependent on one or two persons. Typically, the success of a Lower Middle Market business also depends on the management talents and efforts of one or two persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse impact on our borrower and, in turn, on us.

Lower Middle Market businesses may have limited operating histories. While we intend to continue to target stable companies with proven track records, we may make loans to new companies that meet our other investment criteria. Portfolio companies with limited operating histories will be exposed to all of the operating risks that new businesses face and may be particularly susceptible to, among other risks, market downturns, competitive pressures and the departure of key executive officers.

Debt securities of Lower Middle Market companies typically are not rated by a credit rating agency. Typically, a Lower Middle Market business 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 at rates 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 high risk as compared to investment grade debt instruments.

Because the loans we make and equity securities we invest in are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our NAV.

Substantially all of our portfolio investments are, and we expect will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. Our Board of Directors has ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments, based on the investment valuation policy (the Policy). Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator, with oversight and direction from our chief valuation officer, an employee of the Administrator that reports directly to our Board of Directors, (collectively, the Valuation Team). In valuing our investment portfolio, several techniques are used, including, but not limited to, a total enterprise value approach, a yield analysis, and market quotes. Currently, ICE Data Pricing and Reference Data, LLC (formerly Standard and Poor s Securities Evaluations, Inc.) provides estimates of fair value on generally all of our debt investments that are not valued using total enterprise value (TEV) and we use another independent valuation firm to provide valuation inputs for our significant equity investments, generally valued using TEV, including earnings multiple ranges, as well as other information. In addition to these techniques, inputs and information, other factors are considered when determining fair value of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; timing of expected loan repayments; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the current three month reporting period are generally valued at original cost basis. Refer to *Business Ongoing Management of Investments and Portfolio Company Relationships Valuation Process* for additional information on our valuation policies, procedures, and processes.

Fair value measurements of our investments may involve subjective judgments and estimates and, due to the uncertainty inherent in valuing these securities, the Adviser s determination 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. 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.

Our NAV would be adversely affected if the fair value of our investments that are approved by our Board of Directors are higher than the values that we ultimately realize upon the disposal of such securities.

Our most recent NAV was calculated on May 8, 2018 and our NAV when calculated effective June 30, 2018 and thereafter may be higher or lower.

As of May 8, 2018, our NAV per share was $10.85, which was based on the fair value of our investments that were reviewed and approved by the Valuation Committee and Board of Directors in connection with financial statements that were audited by our independent registered public accounting firm as of March 31, 2018. NAV per share as of June 30, 2018 may be higher or lower than $10.85 based on potential changes in valuations, issuance of shares of common stock subsequent to May 8, 2018, or dividends 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 June 30, 2018 fair value is less than the March 31, 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.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

A substantial portion of our portfolio investments are securities that are not publicly traded. As a result, our Board of Directors determines the fair value of these securities in good faith pursuant to the Policy. In connection with that determination, our Valuation Team prepares portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. The participation of our Adviser s investment professionals in our valuation process and Mr. Gladstone s pecuniary interest in our Adviser may result in a conflict of interest, as the management fees that we pay our Adviser are based on our average gross assets, less uninvested cash or cash equivalents from borrowings, and adjusted appropriately for any share issuances or repurchases during the period.

The lack of liquidity of our privately held investments may adversely affect our business.

We will generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly-traded securities. The illiquidity of our investments may make it difficult for us to quickly obtain cash equal to the value at which we record our investments if the need arises. This could cause us to miss important investment opportunities. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may record substantial realized losses upon liquidation. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, the Adviser, the Administrator, or our respective officers, or affiliates have material non-public information regarding such portfolio company.

Due to the uncertainty inherent in valuing these securities, the Adviser s determinations of fair value 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 Adviser s determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities. Additional discussion regarding risks associated with determinations made by the Adviser is found in the risk factor *The valuation process for certain of our portfolio holdings creates a conflict of interest.*

Our financial results could be negatively affected if a significant portfolio investment fails to perform as expected.

Our total investment in one or more companies may be significant individually or in the aggregate. As a result, if a significant investment in one or more companies fails to perform as expected, our financial results could be more negatively affected and the magnitude of the loss could be more significant than if we had made smaller investments in more companies. Our five largest investments represented 30.5% of the fair value of our total portfolio as of March 31, 2018, compared to 27.4% as of March 31, 2017. Any disposition of a significant investment in one or more portfolio companies may negatively impact our net investment income and limit our ability to pay distributions.

The tightening of the U.S. monetary policy through the increase in the Federal Reserve System (Fed) interest rate has resulted in several interest rate raises of 25 basis points each. The increase in the Fed rate can have a negative effect on our investments by making it harder and more expensive to refinance capital structures or even obtain financing.

In recent years, the Fed has incrementally raised the target range for the federal funds rate to its current range of 1.5% to 1.75%, with additional increases expected to come over the next year. As interest rates increase, generally, the cost of borrowing increases, affecting our ability to make new investments on favorable terms or at all. More generally, interest rate fluctuations and changes in credit spreads on floating rate loans may have a negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our rate of return on invested capital, our net investment income, our net asset value and the market price of our securities. A substantial portion of our debt investments have variable interest rates that reset periodically and are generally based on LIBOR, so an increase in interest rates from the current interest rate may make it more difficult for our portfolio companies to service their obligations under the debt investments that we hold. To the extent that interest rates increase, this may negatively impact the operating performance of our portfolio companies due to increasing debt service obligations and, therefore, may affect our results of operations. In addition, to the extent that an increase in interest rates makes it difficult or impossible to make payments on outstanding indebtedness to us or other financial sponsors or refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection. There can be no guaranty the Fed will raise rates at the gradual pace they originally proposed, nor can there be any assurance that the Fed will make sound decisions as to when to raise rates. The increase in interest rates could have a negative effect on our investments, which could negatively impact our operating results, financial condition, and cash flows.

The interest rates of some of our term loans to our portfolio companies are priced using a spread over LIBOR, which may be phased out in the future.

LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. In general, our investments in debt securities have a term of five years, accrue interest at variable rates based on LIBOR and, to a lesser extent, at fixed rates. As of March 31, 2018, our loan portfolio consisted of 97.0% variable rate loans with floors and 3.0% fixed rate loans based on the total principal balance of all outstanding debt investments.

On July 27, 2017, the United Kingdom s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The Fed, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, announced replacement of U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by U.S. Treasury securities called the Secured Overnight Financing Rate (SOFR). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question and the future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the loan documents with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

We generally will not be involved in the day-to-day operations and decision making of our portfolio companies.

We generally are not, and do not expect to be, involved in the day-to-day operations and decision making of our portfolio companies, even though we may have board representation or board observation rights and our debt agreements may contain certain restrictive covenants. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common stock, may take risks or otherwise act in ways that do not serve our interests of maximizing our investment value.

We typically invest in transactions involving acquisitions, buyouts and recapitalizations of companies, which will subject us to the risks associated with change in control transactions.

Our strategy, in part, includes making debt and equity investments in companies in connection with acquisitions, buyouts and recapitalizations, which subjects us to the risks associated with change in control transactions. Change in control transactions often present a number of uncertainties. Companies undergoing change in control transactions often face challenges retaining key employees and maintaining relationships with customers and suppliers. While we hope to avoid many of these difficulties by participating in transactions where the management team is retained and by conducting thorough due diligence in advance of our decision to invest, if our portfolio companies experience one or more of these problems, we may not realize the value that we expect

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in connection with our investments, which would likely harm our operating results, financial condition, and cash flows.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies and/or we could be subject to lender liability claims.

We primarily invest in secured first and second lien debt securities issued by our portfolio companies. In some cases, portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt securities may provide that the holders thereof are entitled to receive payment of interest and principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. Additionally, depending on the facts and circumstances, including the extent to which we provide managerial assistance to any portfolio company subject to bankruptcy, a bankruptcy court might re-characterize our debt investments and subordinate all or a portion of our claims to that of other creditors. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. We may also be subject to lender liability claims for actions taken by us with respect to a borrower s business or in instances in which we exercised control over the borrower as a result of actions taken in rendering any managerial assistance. Furthermore, in the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company.

Prepayments of our investments by our portfolio companies could adversely impact our results of operations and reduce our return on investment.

In addition to risks associated with delays in investing our capital, to a lesser extent, we are also subject to the risk that investments we make in our portfolio companies may be repaid prior to maturity. During the fiscal year 2018, we experienced prepayments of term debt investments of $13.6 million. We will first use any proceeds from prepayments to repay any borrowings outstanding on the Credit Facility. In the event that funds remain after repayment of our outstanding borrowings, then we may reinvest these proceeds in government securities, pending their future investment in new debt and/or equity securities. These government securities will typically have substantially lower yields than the debt securities being prepaid and we could experience significant delays in reinvesting these amounts. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. While we generally do not provide for prepayments of our debt investments where we also own a significant equity investment in a portfolio company, prepayments allowable under pure debt investments could negatively impact our return on those investments, which could negatively impact our operating results, financial condition, and cash flows and could lead to a decline in the market price of our common stock.

Our portfolio is concentrated in a limited number of companies and industries, which subjects us to an increased risk of significant loss if any one of these companies does not repay us or if the industries experience downturns.

As of March 31, 2018, we had investments in 33 portfolio companies, the five largest of which included Cambridge Sound Management, Inc. (Cambridge), Nth Degree, Inc. (Nth Degree), J.R. Hobbs Co. Atlanta, LLC (JR Hobbs), Brunswick Bowling Products, Inc. (Brunswick), and ImageWorks Display and Marketing Group, Inc. (ImageWorks), and collectively comprised $183.4 million, or 30.5%, of our total investment portfolio, at fair value. A consequence of a limited number of investments is that the aggregate returns we realize may be substantially adversely affected by the unfavorable performance of a small number of such investments or a substantial write-down of any one investment.

Beyond our regulatory and income tax diversification requirements, as well as Credit Facility requirements, we do not have fixed guidelines for industry

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concentration and our investments could potentially be concentrated in relatively few industries. In addition, while we do not intend to invest 25% or more of our total assets in a particular industry or group of industries at the time of investment, it is possible that as the values of our portfolio companies change, one industry or a group of industries may comprise in excess of 25% of the value of our total assets. A downturn in a particular industry in which we have invested a significant portion of our total assets could have a materially adverse effect on us. As of March 31, 2018, our largest industry concentration was in Diversified/Conglomerate Services, representing 22.8% of our total investments, at fair value.

Our investments are typically long term and will require several years to realize liquidation events.

Since we generally make five to seven year term loans and hold our loans and equity positions until the loans mature and/or we exit the investment, investors should not expect realization events, if any, to occur over the near term. In addition, we expect that any equity investments may require several years to appreciate in value and we cannot give any assurance that such appreciation will occur.

The disposition of our investments may result in contingent liabilities.

Currently, all but one of our investments involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the underlying portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that may ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us.

Portfolio company-related litigation could result in costs, including defense costs or damages, and the diversion of management time and resources.

In the course of investing in and often providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser sometimes serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, even if meritless, we or such employees may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources. We may be unable to accurately estimate our exposure to litigation risk if we record balance sheet reserves for probable loss contingencies. As a result, any reserves we establish to cover any settlements or judgments may not be sufficient to cover our actual financial exposure, which may have a material impact on our results of operations, financial condition, or cash flows.

In view of the inherent difficulty of predicting the outcome of legal actions and regulatory matters, we cannot provide assurance as to the outcome of any threatened or pending matter or, if resolved adversely, the costs associated with any such matter, particularly where the claimant seeks very large or indeterminate damages or where the matter presents novel legal theories, involves a large number of parties or is at a preliminary stage. The resolution of any such matters may be time consuming, expensive, and may distract management from the conduct of our business. The resolution of certain threatened or pending legal actions or regulatory matters, if unfavorable, whether in settlement or a judgment, could have a material adverse effect on our financial condition, results of operations, or cash flows for the quarter in which such actions or matters are resolved or a reserve is established.

While the Company believes it would have valid defenses to potential claims brought due to our investment in any portfolio company, and will defend any such claims vigorously, it may nevertheless expend significant amounts of money in defense costs and expenses. Further, if the Company enters into settlements or suffers an adverse outcome in any litigation, the Company could be required to pay significant amounts. In addition, if any of the Company s portfolio companies become subject to direct or indirect claims or other obligations, such as defense costs or damages in litigation or settlement, the Company s investment in such companies could diminish in value and the Company could suffer indirect losses. Further, these matters could cause the Company to expend significant management time and effort in connection with assessment and defense of any claims. No range of potential expenses, costs or damages in connection with these matters can be estimated at this time.

We may not realize gains from our equity investments and other yield enhancements.

We generally make equity investments in combination with secured debt investments. We may also receive other equity interests to purchase stock issued by the portfolio company, such as warrants, and will generally receive other yield enhancements, such as success fees. Our goal is to ultimately dispose of these equity interests and realize gains and collect the yield enhancements. We expect that, over time, the realized gains from the disposition of equity interests and the yield enhancements we collect will offset any losses we may experience on potential loan defaults. However, equity interests may not appreciate in value and, in fact, may decline in value and any other yield enhancements, such as success fees, may not be collected. Accordingly, we may not be able to realize gains from our equity interests or collect other yield enhancements and any gains we do recognize and yield enhancements we collect may not be sufficient to offset losses we experience on other debt and equity investments.

During the fiscal years ended March 31, 2018 and 2017, we recorded net realized gains on investments of $1.3 million and $15.6 million, respectively. During the fiscal year ended March 31, 2016, we recorded a net realized loss on investments of $4.6 million. There can be no guaranties that such net realized gains can be achieved in future periods and the impact of such sales on our results of operations in prior periods should not be relied upon as being indicative of performance in future periods. For the fiscal years ended March 31, 2018, 2017 and 2016, success fee income totaled $5.3 million, $2.4 million and $1.6 million, respectively.

Any unrealized depreciation we experience on our investment portfolio may be an indication of future realized losses, which could reduce any gains available for distribution.

As a BDC we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Since our inception, we have, at times, incurred a cumulative net unrealized depreciation of our portfolio. Any unrealized depreciation in our investment portfolio could result in realized losses in the future and ultimately in reductions of any gains available for distribution to stockholders in future periods.

Risks Related to Our External Financing

In addition to regulatory limitations on our ability to raise capital, the Credit Facility contains various covenants which, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations, cash flows, and ability to pay distributions.

We will have a continuing need for capital to finance our investments. As of March 31, 2018, we, through our wholly-owned subsidiary, Business Investment, had $107.0 million in borrowings, at cost, outstanding under the Credit Facility, which provides for maximum borrowings of $165.0 million, with a revolving period end date of November 15, 2019 (the Revolving Period End Date). The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions and covenants set forth in the credit agreement. 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 policy without the 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 $221.2 million as of March 31, 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 March 31, 2018, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $488.8 million, an asset coverage ratio on our senior securities representing indebtedness of 525.7%, 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 March 31, 2018, we were in compliance with all covenants under the Credit Facility; however, our continued compliance depends on many factors, some of which are beyond our control.

Given the continued uncertainty in the capital markets, any unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under the Credit Facility. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations, cash flows, and ability to pay distributions to our stockholders.

Any inability to renew, extend or replace the Credit Facility on terms favorable to us, or at all, could adversely impact our liquidity and ability to fund new investments or maintain distributions to our stockholders.

If the Credit Facility is not renewed or extended by the Revolving Period End Date, all principal and interest will be due and payable on or before November 15, 2021 (two years after the Revolving Period End Date). Subject to certain terms and conditions, the Credit Facility may be expanded to a total of $250 million through additional commitments of existing or new lenders. However, if such lenders are unwilling to provide additional commitments under the terms of the Credit Facility, we will be unable to expand the Credit Facility and thus will continue to have limited availability to finance new investments under the Credit Facility. There can be no guaranty that we will be able to renew, extend or replace the Credit Facility upon its Revolving Period End Date on terms that are favorable to us, if at all. Our ability to expand the Credit Facility, and to obtain replacement financing at or before the time of its Revolving Period End Date, will be constrained by then current economic conditions affecting the credit markets. In the event that we are not able to expand the Credit Facility, or to renew, extend or refinance the Credit Facility by the Revolving Period End Date, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders and our ability to qualify as a RIC under the Code.

If we are unable to secure replacement financing, we may be forced to sell certain assets on disadvantageous terms, which may result in realized losses, and such realized losses could materially exceed the amount of any unrealized depreciation on these assets as of our most recent balance sheet date, which would have a material adverse effect on our results of operations. Such circumstances would also increase the likelihood that we would be required to redeem some or all of our outstanding Term Preferred Stock, which could potentially require us to sell more assets. In addition to selling assets, or as an alternative, we may issue common equity in order to repay amounts outstanding under the Credit Facility. Depending upon the trading prices of our common stock, such an equity offering may have a dilutive impact on our existing stockholders interest in our earnings, assets and voting interest in us. If we are able to renew, extend or refinance the Credit Facility prior to maturity, renewal, extension or refinancing, it could potentially result in significantly higher interest rates and related charges and may impose significant restrictions on the use of borrowed funds to fund investments or maintain distributions to common and preferred stockholders.

Because we expect to distribute substantially all of our Investment Company Taxable Income on an annual basis, our business plan is dependent upon external financing, which is constrained by the limitations of the 1940 Act.

Although we completed equity offerings of our Series D Term Preferred Stock, Series C Term Preferred Stock and Series B Term Preferred Stock in September 2016, May 2015 and November 2014, respectively, a common stock offering in May 2017, and initiated our at-the-market program in February 2018, there can be no assurance that we will be able to raise capital through issuing equity in the near future. Our business requires a substantial amount of cash to operate and grow. We may acquire such additional capital from the following sources:

Senior Securities: We may issue senior securities representing indebtedness (including borrowings under the Credit Facility) and senior securities that are stock (including our Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock), up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities which are stock, in amounts such that our asset coverage, as defined in Section 18(h) of the 1940 Act, is at least 200% (currently) or 150% (effective April 10, 2019; refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the Small Business Credit Availability Act (SBCAA)) on each such senior security immediately after each issuance of each such senior security. As a result of incurring indebtedness (in whatever form), we will be exposed to the risks associated with leverage. Although borrowing money for investments increases the potential for gain, it also increases the risk of a loss. A decrease in the value of our investments will have a greater impact on the value of our common stock to the extent that we have borrowed money to make investments. There is a possibility that the costs of borrowing could exceed the income we receive on the investments we make with such borrowed funds. In addition, our ability to pay distributions, issue senior securities or repurchase shares of our common stock would be restricted if the asset coverage on each of our senior securities is not at least 200%. If the aggregate fair value of our assets declines, we might be unable to satisfy that 200% requirement. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue common stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering costs will not be available for distributions to stockholders. Furthermore, if we have to issue common stock below NAV per common share, any non-participating stockholders will be subject to dilution, as described below. Pursuant to Section 61(a) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of senior securities representing indebtedness. However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of senior securities that are stock.

Common and Convertible Preferred Stock: Because we are constrained in our ability to issue debt or senior securities for the reasons given above, we are dependent on the issuance of equity as a financing source. If we raise additional funds by issuing more common stock, the percentage ownership of our common stockholders at the time of the issuance would decrease and our existing common stockholders may experience dilution. In addition, under the 1940 Act, we will generally not be able to issue additional shares of our common stock at a price below NAV per common share to purchasers, other than to our existing common stockholders through a rights offering, without first obtaining the approval of our stockholders and our independent directors. If we were to sell shares of our common stock below our then current NAV per common share, as we did at times during March and April 2018 under the at-the-market program, and in other offerings in May 2017, March 2015, and October 2012, such sales would result in an immediate dilution to the NAV per common share. This dilution would occur as a result of the sale of common shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a common stockholder s interest in our earnings and assets and voting percentage than the increase in our assets resulting from such issuance. For example, if we issue and sell an additional 10% of our common stock at a 5% discount from NAV, a common stockholder who does not participate in that offering for its proportionate interest will suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV. This imposes constraints on our ability to raise capital when our common stock is trading below NAV per common share, as it generally has for the last several years. As noted above, the 1940 Act prohibits the issuance of multiple classes of senior securities that are stock. As a result, we would be prohibited from issuing convertible preferred stock to the extent that such a security was deemed to be a separate class of stock from our outstanding Term Preferred Stock. Refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments At-the-Market Program* for a discussion of our at-the-market program.

We financed certain of our investments with borrowed money and capital from the issuance of senior securities, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on our portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to common stockholder(A)	(21.4)%	(12.8)%	(4.2)%	4.4%	13.1%

(A) The hypothetical return to common stockholders is calculated by multiplying our total assets as of March 31, 2018 by the assumed rates of return and subtracting all interest on our debt and dividends on our Term Preferred Stock expected to be paid or declared during the twelve months following March 31, 2018; and then dividing the resulting difference by our total net assets attributable to common stock as of March 31, 2018. Based on $610.9 million in total assets, $107.0 million in borrowings outstanding on the Credit Facility, at cost, $5.1 million in a secured borrowing, $41.4 million in aggregate liquidation preference of Series B Term Preferred Stock, $40.3 million in aggregate liquidation preference of Series C Term Preferred Stock, $57.5 million in aggregate liquidation preference of Series D Term Preferred Stock, and $354.2 million in net assets as of March 31, 2018.

Based on an aggregate outstanding indebtedness of $112.1 million at principal as of March 31, 2018, the effective annual interest rate of 5.2% as of that date, and aggregate liquidation preference of our Term Preferred Stock of $139.2 million, our investment portfolio at fair value would have to produce an annual return of at least 2.5% to cover annual interest payments on the outstanding debt and dividends on our Term Preferred Stock.

A change in interest rates may adversely affect our profitability and hedging arrangements may expose us to additional risks.

We anticipate using a combination of equity and long-term and short-term borrowings to finance our investment activities. As a result, a portion of our income will depend upon the spread between the rate at which we borrow funds and the rate at which we loan these funds. An increase or decrease in interest rates could reduce the spread between the rate at which we invest and the rate at which we borrow, and thus, adversely affect our profitability, if we have not appropriately hedged against such event. Alternatively, interest rate hedging arrangements may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio.

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Ultimately, we expect approximately 90.0% of the loans in our portfolio to be at variable rates determined on the basis of the LIBOR and approximately 10.0% to be at fixed rates. As of March 31, 2018, based on the total principal balance of debt investments outstanding, our portfolio consisted of 97.0% of loans at variable rates with floors and 3.0% at fixed rates.

As of March 31, 2018, we did not have any hedging arrangement, such as interest rate hedges. While hedging arrangements may insulate us against adverse fluctuations in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or any future hedging transactions could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Our ability to receive payments pursuant to a hedging arrangement is linked to the ability of the counter-party to that hedging arrangement to make the required payments. To the extent that the counter-party to the hedging arrangement is unable to pay pursuant to the terms of the agreement, we may lose the hedging protection of the arrangement.

Also, the fair value of certain of our debt investments is based, in part, on the current market yields or interest rates of similar securities. A change in interest rates could have a significant impact on our determination of the fair value of these debt investments. In addition, a change in interest rates could also have an impact on the fair value of any hedging arrangements then in effect that could result in the recording of unrealized appreciation or depreciation in future periods. Therefore, adverse developments resulting from changes in interest rates could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Refer to *Management s Discussion and Analysis of Financial Conditions and Results of Operations Contractual Obligations Quantitative and Qualitative Disclosures About Market Risk* for additional information on interest rate fluctuations.

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.

To maintain our qualification as a RIC, we must maintain our status as a BDC and meet annual distribution, income source, and asset diversification requirements. The annual distribution requirement is satisfied if we distribute at least 90% of our Investment Company Taxable Income to our stockholders on an annual basis. Because we use leverage, we are subject to certain asset coverage ratio requirements under the 1940 Act and could, under certain circumstances, be restricted from making distributions necessary to qualify as a RIC. Warrants we may receive with respect to debt investments generally create original issue discount (OID), which we must recognize as ordinary income over the term of the debt investment. Similarly, PIK interest which is accrued generally over the term of the debt investment but not paid in cash, is recognized as ordinary income. Both OID and PIK interest will increase the amounts we are required to distribute to maintain our RIC status. Because such OIDs and PIK interest will not produce distributable cash for us at the same time as we are required to make distributions, we will need to use cash from other sources to satisfy such distribution requirements. As of March 31, 2018, we did not have investments with OID or a PIK feature. Additionally, we must meet asset diversification and income source requirements at the end of each calendar quarter. If we fail to meet these tests, we may need to quickly dispose of certain investments to prevent the loss of RIC status. Since most of our investments will be illiquid, such dispositions, if even possible, may not be made at prices advantageous to us and, in fact, may result in substantial losses. If we fail to qualify as a RIC as of a calendar quarter or annually for any reason and become fully subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution, and the actual amount distributed. Such a failure would have a material adverse effect on us and our common stock. Refer to *Material U.S. Federal Income Tax Considerations RIC Status* for additional information regarding asset coverage ratio and RIC requirements and to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the SBCAA.

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Some of our debt investments may include success fees that would generally generate payments to us upon a change of control. Because the satisfaction of these success fees, and the ultimate payment of these fees, is uncertain and highly contingent, we generally only recognize them as income when the payment is received. Success fee amounts are characterized as ordinary income for tax purposes and, as a result, we are required to distribute such amounts to our stockholders in order to maintain our RIC status.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC under the 1940 Act or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets, as defined in Section 55(a) of the 1940 Act.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe to be attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility. Refer to *Regulation as a Business Development Company Qualifying Assets* for additional information regarding qualifying assets.

Changes in laws or regulations governing our operations, or changes in the interpretation thereof, and any failure by us to comply with laws or regulations governing our operations may adversely affect our business.

We, and our portfolio companies, are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations, or their interpretation, or any failure by us or our portfolio companies to comply with these laws or regulations may adversely affect our business. Refer to *Material U.S. Federal Income Tax Considerations RIC Status* and *Regulation as a Business Development Company* for additional information regarding the regulations to which we are subject.

Provisions of the Delaware General Corporation Law and of our certificate of incorporation and bylaws could restrict a change in control and have an adverse impact on the price of our common stock.

We are subject to provisions of the Delaware General Corporation Law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for three years unless the holder s acquisition of our stock was either approved in advance by our Board of Directors or ratified by our Board of Directors and stockholders owning two-thirds of our outstanding stock not owned by the acquiring holder. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our Board of Directors, they would apply even if the offer may be considered beneficial by some stockholders.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation classifying our Board of Directors in three classes serving staggered three-year terms, and provisions of our certificate of incorporation authorizing our Board of Directors to induce the issuance of additional shares of our stock. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, defer, or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

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% (or 150%, provided certain conditions are met) 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 Series B Term Preferred Stock, our Series C Term Preferred Stock, and our Series D 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; refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the SBCAA) after each such incurrence or issuance. 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 SBCAA that includes certain regulations under the federal securities laws impacting BDCs. Among other items, the SBCAA allows a BDC to increase the amount of debt it may incur 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 SBCAA. 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; or on April 10, 2019. 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, 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 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, management fees paid to the Advisor would increase.

Notwithstanding the modified asset coverage leverage ratio under the 1940 Act described above, we remain subject to a minimum asset coverage requirement of 200% with respect to certain provisions of our Credit Facility and our 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 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.

The recently enacted legislation informally titled the Tax Cuts and Jobs Act and other legislative, regulatory and administrative developments may adversely affect the Company or its stockholders.

On December 22, 2017, President Trump signed into law P.L. 115-97, informally titled the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes major changes to the Code, including a number of provisions of the Code that affect the taxation of RICs and their stockholders. Certain provisions of the Tax Act that may impact us and our stockholders include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate will be reduced from 39.6% to 37% (through taxable years ending in 2025);

- reducing the maximum corporate income tax rate from 35% to 21%;

- permitting a deduction for certain pass-through business income, which generally will allow individuals, trusts, and estates to deduct up to 20% of such amounts, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such dividends (through taxable years ending in 2025);

- limiting the deduction for net operating losses to 80% of taxable income (prior to the application of the dividends paid deduction);

- amending the limitation on the deduction of net interest expense for all businesses, other than certain electing businesses; and eliminating the corporate alternative minimum tax.

The individual and collective impact of these provisions and other provisions of the Tax Act on the Company and its stockholders is uncertain, and may not become evident for some period of time. In addition, other legislative, regulatory or administrative changes may be enacted or promulgated, either prospectively or with retroactive effect, and may adversely affect the Company or its stockholders. The Company s stockholders should consult their individual tax advisors regarding the implications of the Tax Act and other potential legislative, regulatory or administrative changes on their investment in the Company s stock.

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Risks Related to Our External Management

We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, David Dullum and Terry Lee Brubaker, and on the continued operations of the Adviser, for our future success.

We have no employees. Our chief executive officer, chief operating officer, chief financial officer and treasurer, chief valuation officer, and the employees of the Adviser, do not spend all of their time managing our activities and our investment portfolio. We are particularly dependent upon David Gladstone, David Dullum and Terry Lee Brubaker for their experience, skills, and networks. Our executive officers and the employees of the Adviser allocate some, and in some cases a material portion, of their time to businesses and activities that are not related to our business. We have no separate facilities and are completely reliant on the Adviser, which has significant discretion as to the implementation and execution of our business strategies and risk management practices. We are subject to the risk of discontinuation of the Adviser s operations or termination of the Advisory Agreement and the risk that, upon such event, no suitable replacement will be found. We believe that our success depends to a significant extent upon the Adviser and that discontinuation of its operations or the loss of its key management personnel could have a material adverse effect on our ability to achieve our investment objectives.

Our success depends on the Adviser s ability to attract and retain qualified personnel in a competitive environment.

The Adviser experiences competition in attracting and retaining qualified personnel, particularly investment professionals and senior executives, and we may be unable to maintain or grow our business if we cannot attract and retain such personnel. The Adviser s ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors including, but not limited to, its ability to offer competitive wages, benefits and professional growth opportunities. The Adviser competes with investment funds (such as private equity funds and mezzanine funds) and traditional financial services companies for qualified personnel, many of which have greater resources than us. Searches for qualified personnel may divert management s time from the operation of our business. Strain on the existing personnel resources of the Adviser, in the event that it is unable to attract experienced investment professionals and senior executives, could have a material adverse effect on our business.

We are dependent upon the contacts and relationships of the Adviser to provide us with potential investment opportunities.

We depend upon the Adviser to maintain its relationships with private equity sponsors, placement agents, investment banks, management groups and other financial institutions, and we expect to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the Adviser or members of our investment team fail to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the Adviser has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future. Failure of the Adviser to maintain such relationships or enter into new relationships that would generate additional investment opportunities, could have a material adverse effect on our business.

The Adviser can resign on 60 days notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

The Adviser has the right to resign under the Advisory Agreement at any time upon not less than 60 days written notice, whether we have found a replacement or not. If the Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our common stock may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

Our incentive fee may induce the Adviser to make certain investments, including speculative investments.

The management compensation structure that has been implemented under the Advisory Agreement may cause the Adviser to invest in high-risk investments or take other investment risks. In addition to its management fee, the Adviser is entitled under the Advisory Agreement to receive incentive compensation based in part upon our achievement of specified levels of income. In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on net investment income may lead the Adviser to place undue emphasis on the maximization of net investment income at the expense of other criteria, such as preservation of capital, maintaining sufficient liquidity, or management of credit risk or market risk, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

We may be obligated to pay the Adviser incentive compensation even if we incur a net decrease in net assets.

The Advisory Agreement entitles the Adviser to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our net investment income for that quarter (before deducting the incentive fee) above a threshold return of 1.75% of our net assets, as adjusted, for that quarter. When calculating our incentive fee, our pre-incentive fee net investment income excludes realized losses and unrealized depreciation that we may incur in the fiscal quarter, even if such losses or depreciation result in a net decrease in net assets on our statement of operations for that quarter. Thus, we may be required to pay the Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net realized or unrealized loss for that quarter. For additional information on incentive compensation under the Advisory Agreement with the Adviser, see *Business Transactions with Related Parties Investment Advisory and Management Agreement*.

We may be required to pay the Adviser incentive compensation on income accrued, but not yet received in cash.

The part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include income that has been accrued but not yet received in cash, such as debt instruments with PIK interest. If a portfolio company defaults on a loan, it is possible that such accrued interest previously used in the calculation of the incentive fee will become uncollectible. Consequently, we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a clawback right against the Adviser. During the years ended March 31, 2018, 2017, and 2016, we did not record any PIK income or any other non-cash income.

The Adviser s failure to identify and invest in securities that meet our investment criteria or perform its responsibilities under the Advisory Agreement would likely adversely affect our ability for future growth.

Our ability to achieve our investment objectives will depend on our ability to grow, which in turn will depend on the Adviser s ability to identify and invest in securities that meet our investment criteria. Accomplishing this result on a cost-effective basis will be largely a function of the Adviser s structuring of the investment process, its ability to provide competent and efficient services to us, and our access to financing on acceptable terms. The senior management team of the Adviser has substantial responsibilities under the Advisory

Agreement. In order to grow, the Adviser will need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively would likely have a material adverse effect on our business, financial condition, and results of operations and cash flows.

There are significant potential conflicts of interest, including with the Adviser, which could impact our investment returns.

Our executive officers and directors, and the officers and directors of the Adviser, serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Mr. Gladstone, our chairman and chief executive officer, is the chairman of the board and chief executive officer of the Adviser and Administrator, and the Affiliated Public Funds. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is the vice chairman and chief operating officer of the Adviser and Administrator, and the Affiliated Public Funds. Mr. Dullum, our president, is an executive managing director of the Adviser. Moreover, the Adviser may establish or sponsor other investment vehicles which from time to time may have potentially overlapping investment objectives with ours and accordingly may invest in, whether principally or secondarily, asset classes we target. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to the Company or the Affiliated Public Fund with the investment strategy that most closely fits the investment opportunity. Nevertheless, the management of the Adviser may face conflicts in the allocation of investment opportunities to other entities managed by the Adviser. As a result, it is possible that we may not be given the opportunity to participate in certain investments made by other funds managed by the Adviser. Our Board of Directors approved a revision of our investment objectives and strategies that became effective on January 1, 2013, which may enhance the potential for conflicts in the allocation of investment opportunities to us and other entities managed by the Adviser.

In certain circumstances, we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, the prior approval of our Board of Directors. As of March 31, 2018, our Board of Directors has approved the following types of transactions:

Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.

We may invest simultaneously with our affiliate Gladstone Capital in senior loans in the broadly syndicated market whereby neither we nor any affiliate has the ability to dictate the terms of the loans.

Pursuant to the Co-Investment Order, we may co-invest, under certain circumstances, with certain of our affiliates, including Gladstone Capital and any future BDC 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. In connection with investments made pursuant to the Co-Investment Order a required majority of our Board of Directors must approve the transaction. A required majority is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the Company.

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Certain of our officers, who are also officers of the Adviser, may from time to time serve as directors of certain of our portfolio companies. If an officer serves in such capacity with one of our portfolio companies, such officer will owe fiduciary duties to stockholders of the portfolio company, which duties may from time to time conflict with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to the Adviser and will reimburse the Administrator for certain expenses it incurs. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through our investors themselves making direct investments. As a result of this arrangement, there may be times when the management team of the Adviser has interests that differ from those of our stockholders, giving rise to a conflict. In addition, as a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. While neither we nor the Adviser currently receive fees in connection with managerial assistance, the Adviser and Gladstone Securities have, at various times, provided other services to certain of our portfolio companies and received fees for services other than managerial assistance as discussed in *Business Ongoing Management of Investments and Portfolio Company Relationships Managerial Assistance and Services.*

The Adviser is not obligated to provide credits of the base management fee or incentive fees, which could negatively impact our earnings and our ability to maintain our current level of distributions to our stockholders.

The Advisory Agreement provides for a base management fee, based on our gross assets, and an incentive fee, that is based on our income and capital gains. Our Board of Directors has accepted in the past and may accept in the future non-contractual, unconditional, and irrevocable credits to reduce the annual 2.0% base management fee or the incentive fee, on a quarterly or annual basis. Any fees credited may not be recouped by the Adviser in the future. However, the Adviser is not required to issue these or other credits of fees under the Advisory Agreement. If the Adviser does not issue these credits in the future, it could negatively impact our earnings and may compromise our ability to maintain our current level of distributions to our stockholders, which could have a material adverse impact on our common stock price.

Our business model is dependent upon developing and sustaining strong referral relationships with investment bankers, business brokers and other intermediaries and any change in our referral relationships may impact our business plan.

We are dependent upon informal relationships with investment bankers, business brokers and traditional lending institutions to provide us with deal flow. If we fail to maintain our relationship with such funds or institutions, or if we fail to establish strong referral relationships with other funds, we will not be able to grow our portfolio of investments and fully execute our business plan.

Our base management fee may induce the Adviser to incur leverage.

The fact that our base management fee is payable based upon our gross assets, which would include any investments made with proceeds of borrowings, may encourage the Adviser to use leverage to make additional investments. Under certain circumstances, the use of increased leverage may increase the likelihood of default, which would disfavor holders of our securities. Given the subjective nature of the investment decisions made by the Adviser on our behalf, we will not be able to monitor this potential conflict of interest.

Risks Related to an Investment in Our Securities

We may experience fluctuations in our quarterly and annual operating results.

We may experience fluctuations in our quarterly and annual operating results due to a number of factors, including, among others, variations in our investment income, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, placing and removing investments on non-accrual status, the degree to which we encounter competition in our markets, the ability to sell investments at attractive terms, the ability to fund and close suitable investments, and general economic conditions, including the impacts of inflation. The majority of our portfolio companies are in industries that are directly impacted by inflation, such as manufacturing and consumer goods and services. Our portfolio companies may not be able to pass on to customers increases in their costs of production which could greatly affect their operating results, impacting their ability to service and repay our loans. In addition, any potential future decreases in our portfolio companies operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized and unrealized losses and therefore reduce our net assets. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There is a risk that you may not receive distributions or that distributions may not grow over time.

Our current intention is to distribute up to 100% of our Investment Company Taxable Income to our stockholders by paying monthly distributions. We may retain some or all of our net realized long-term capital gains, if any, or retain and designate them as deemed distributions to supplement our equity capital and support the growth of our portfolio, although our Board of Directors may determine to distribute these net realized long-term capital gains to our stockholders in cash. In addition, the Credit Facility restricts the amount of distributions we are permitted to make annually. We cannot assure investors that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions.

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

Increase in market interest rates may negatively impact the value of our Securities.

One of the factors that will influence the price of our Securities will be the distribution yield on our Securities (as a percentage of the price of our Securities) relative to market interest rates. An increase in market interest rates, which have been low relative to historical rates, may lead prospective purchasers of our Securities 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 Securities to decrease.

Distributions to our common stockholders have included and may in the future include a return of capital.

Our Board of Directors declares monthly common distributions each quarter based on estimates of Investment Company Taxable Income and capital gains for each fiscal year, which may differ, and in the past have differed, from actual results. Because our common distributions are based on estimates of Investment Company Taxable Income and capital gains that may differ from actual results, future common distributions payable to our common stockholders may include a return of capital. To the extent that we distribute amounts that exceed our accumulated earnings and profits, these distributions constitute a return of capital. A return of capital represents a return of a common stockholder s original investment in common shares of our stock and should not be confused with a distribution from earnings and profits. Although return of capital distributions may not be taxable, such distributions may increase an investor s tax liability for capital gains upon the sale of our common stock by reducing the investor s tax basis for such common stock. Such returns of capital reduce our asset base and also adversely impact our ability to raise debt capital as a result of the leverage restrictions under the 1940 Act, which could have a material adverse impact on our ability to make new investments.

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The issuance of subscription rights to our existing stockholders may dilute the ownership and voting powers of existing stockholders in our common stock, dilute their NAV per share and have a material adverse effect on the trading price of our common stock.

There are significant capital raising constraints applicable to us under the 1940 Act when our common stock is trading below its NAV per share. In the event that we issue subscription rights to our existing stockholders to subscribe for and purchase additional shares of our common stock, there is a significant possibility that the rights offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their subscription rights. Stockholders who do not fully exercise their subscription rights should expect that they will, upon completion of the rights offering, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their subscription rights. In addition, because the subscription price of the rights offering is likely to be less than our most recently determined NAV per common share, our common stockholders are likely to experience an immediate dilution of the per share NAV of their shares as a result of the offer. As a result of these factors, any future rights offerings of our common stock, or our announcement of our intention to conduct a rights offering, could have a material adverse impact on the trading price of our common stock.

Common shares of closed-end investment companies frequently trade at a discount from NAV.

Shares of closed-end investment companies frequently trade at a discount from NAV per common share. Since our inception, our common stock has at times traded above NAV per share and at times below NAV per share. During the past year, our common stock has at times traded significantly below NAV per share. Subsequent to March 31, 2018, and through June 1, 2018, our common stock has traded at discounts of up to 9.6%, and premiums of up to 6.8%, of our NAV per share, which was $10.85 as of March 31, 2018. 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 common shares will fluctuate with market conditions and other factors. If common 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 common 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 common 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 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 generally 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.

Common stockholders may incur dilution if we sell shares of our common stock in one or more offerings at prices below the then current NAV per share.

At our most recent annual meeting of stockholders on August 24, 2017, our stockholders approved a proposal designed to allow us to sell shares of our common stock below the then current NAV per share in one or more offerings for a period of one year from the date of such approval, subject to certain conditions (including, but not limited to, that the number of common shares issued and sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale).

Subject to a previous approval from our stockholders, we exercised this right with Board of Director approval from March through May 2018 for certain sales under the at-the-market program (Refer to

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Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments At-the-Market Program for a discussion of our at-the-market program.), and in May 2017, when 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. 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. The net dilutive effect of the issuance of common stock from the May and June 2017 offerings, net of discounts, commissions, and offering costs borne by us, below NAV was $0.07 per share of common stock.

Also subject to a previous approval from our stockholders, we exercised this right with Board of Director approval in March 2015, when we completed a public offering of 3.3 million shares of our common stock at a public offering price of $7.40 per share, which was below our then current NAV of $8.55 per share. In April 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price of $7.40 per share and on the same terms and conditions solely to cover over-allotments. The net dilutive effect of the issuance of common stock, net of discounts, commissions, and offering costs borne by us, below NAV was $0.29 per share of common stock.

Additionally and subject to a previous approval from our stockholders, we also exercised this right with our Board of Director s approval in October 2012, when we completed a public offering of 4.4 million shares of our common stock at a public offering price of $7.50 per share, which was below our then current NAV of $9.10 per share. The net dilutive effect of the issuance of common stock, net of discounts, commissions, and offering costs borne by us, below NAV was $0.39 per share of common stock.

At the upcoming annual stockholders meeting scheduled for August 2, 2018, we expect that our stockholders will again be asked to vote in favor of renewing this proposal for another year. During the past year, our common stock has frequently traded, and at times significantly, below NAV per share. Any decision to sell shares of our common stock below the then current NAV per share of our common stock would be subject to the determination by our Board of Directors that such issuance is in our and our stockholders best interests.

If we were to sell shares of our common stock below NAV per share, such sales would result in an immediate dilution to the NAV per share. This dilution would occur as a result of the sale of shares at a price below the then current NAV per share of our common stock and a proportionately greater decrease in a common stockholder s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. The greater the difference between the sale price and the NAV per share at the time of the offering, the more significant the dilutive impact would be. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect, if any, cannot be currently predicted. However, if, for example, we sold an additional 10% of our common stock at a 5% discount from NAV, an existing common stockholder who did not participate in that offering for its proportionate interest would suffer NAV dilution of up to 0.5% or $5 per $1,000 of NAV.

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

The terms of our Term Preferred Stock provide for annual dividends of $1.6875, $1.6250 and $1.5625 per outstanding share of our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock, respectively. In accordance with the terms of each of our 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.

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Holders of our debt or Term Preferred Stock have liquidation and other rights that are senior to the rights of the holders of our common stock. Any future issuance of debt or preferred stock could adversely affect the market price of our common stock.

We may in the future raise additional capital through the issuance of debt or additional shares of preferred stock. Our Board of Directors is authorized to issue one or more classes or series of preferred stock (so long as such stock is issued in parity with our Term Preferred Stock in accordance with Section 18(c) of the 1940 Act) from time to time without any action on the part of the stockholders, as it has done with respect to our Term Preferred Stock. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends or upon our dissolution, winding-up or liquidation, and other terms. Holders of our Term Preferred Stock have, and holders of any future debt securities will have, preference over our common stock with respect to the payment of dividends and upon our liquidation, dissolution or winding-up. This will reduce the amount of our assets, if any, available for distribution to holders of our common stock. The decision to issue debt or preferred stock is dependent on market conditions and other factors that may be beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future issuances. Any such future issuance could reduce the market price of our common stock.

Additionally, if we issue additional preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

An active trading market for the Term Preferred Stock may not exist or continue, which could adversely affect the market price of the Term Preferred Stock or a holder s ability to sell its shares.

Our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock are listed on Nasdaq. However, we cannot provide any assurances that an active trading market for the Term Preferred Stock will exist in the future or that stockholders will be able to sell their shares of Term Preferred Stock. Even if an active trading market does exist, shares of the Term Preferred Stock may trade at a discount from the liquidation preference for such shares depending on prevailing interest rates, the market for similar securities, general economic conditions, our issuance of debt or preferred equity securities and our financial condition, results of operation and prospects. To the extent an active trading market does not exist, the liquidity and trading price for shares of the Term Preferred Stock may be harmed. Accordingly, holders may be required to bear the financial risk of an investment in the Term Preferred Stock for an indefinite period of time.

An investment in preferred stock with a fixed interest rate bears interest rate risk.

Our series of Term Preferred Stock pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities comparable to our Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Term Preferred Stock prior to the mandatory redemption date for that series of Term Preferred Stock.

The Term Preferred Stock is not rated.

Our series of Term Preferred Stock are not rated by any rating agency. Unrated securities usually trade at a discount to similar, rated securities. As a result, our Term Preferred Stock may trade at a price that is lower than it might otherwise trade if rated by a rating agency.

Our Term Preferred Stock bears a risk of early redemption by us.

We may voluntarily redeem some or all of the Series B Term Preferred Stock and the Series C Term Preferred Stock at any time, and the Series D Term Preferred Stock on or after September 30, 2018. We also may

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be forced to redeem some or all of the outstanding shares of Term Preferred Stock to meet regulatory requirements or the asset coverage requirements of such shares. We are also required to redeem all of the Term Preferred Stock upon certain change of control transactions. Any such redemption may occur at a time that is unfavorable to holders of the affected series of Term Preferred Stock. We may have an incentive to redeem a series of Term Preferred Stock voluntarily before the mandatory redemption date for such series if market conditions allow us to issue other preferred stock or debt securities at a rate that is lower than the dividend rate on such series of Term Preferred Stock or for other reasons. If we redeem shares of the Term Preferred Stock before the mandatory redemption date for such series of Term Preferred Stock, the holders of such redeemed shares face the risk that the return on an investment purchased with proceeds from such redemption may be lower than the return previously obtained from the investment in the Term Preferred Stock.

Claims of holders of the Term Preferred Stock will be subject to a risk of subordination relative to holders of our debt instruments.

While holders of the Term Preferred Stock will have equal liquidation rights to the holder of any other outstanding series of our Term Preferred Stock, such holders will be subordinated to the rights of holders of our current and any future indebtedness, including the Credit Facility. Even though the Term Preferred Stock is classified as a liability for purposes of GAAP and considered senior securities under the 1940 Act, the Term Preferred Stock are not debt instruments. Therefore, dividends, distributions and other payments to holders of Term Preferred Stock in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. In addition, under some circumstances the 1940 Act may provide debt holders with voting rights that are superior to the voting rights of holders of the Term Preferred Stock.

Holders of the Term Preferred Stock will bear dividend risk.

We may be unable to pay dividends on the Term Preferred Stock under some circumstances. The terms of our indebtedness, including the Credit Facility, preclude the payment of dividends in respect of equity securities, including the Term Preferred Stock, under certain conditions.

There is a risk of delay in our redemption of the Term Preferred Stock, and we may fail to redeem such securities as required by their terms.

We generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to obtain cash equal to the value at which we record our investments quickly if a need arises. If we are unable to obtain sufficient liquidity prior to the mandatory redemption date or any other date on which we are required by law or the terms of a series of Term Preferred Stock to redeem shares of such series, we may be forced to engage in a partial redemption or to delay a required redemption. If such a partial redemption or delay were to occur, the market price of the Term Preferred Stock might be adversely affected.

Other Risks

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, or the operations of businesses in which we invest, a compromise or corruption of our confidential information and/or damage to our business relationships, all of which could negatively impact our business, financial condition and operating results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating

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assets, stealing confidential information, corrupting data or causing operational disruption. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided to us by third-party service providers. We have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement, 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 Gladstone Management Corporation 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, should, would, if, seek, possible, potential, likely or the negative or other variations of such terms or comp 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 and any accompanying prospectus supplement.

We caution readers not to place undue reliance on any such forward-looking statement, 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 our historical performance. Except as required by law, 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. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports we have filed, or in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements contained or incorporated by reference in this prospectus or any accompanying prospectus supplement are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the Securities Act).

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USE OF PROCEEDS

Unless otherwise specified in any prospectus supplement accompanying this prospectus, we intend to use the net proceeds from the sale of the Securities 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. Indebtedness outstanding under our Credit Facility as of March 31, 2018 was $107.0 million, at cost, and 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 through maturity. If not renewed or extended by November 15, 2019, all principal and interest will be due and payable on or before November 15, 2021. We intend to re-borrow under our Credit Facility to make investments in portfolio companies in accordance with our investment objectives and strategy depending on the availability of appropriate investment opportunities consistent with our investment objectives and strategy and market conditions. We anticipate that substantially all of the net proceeds of any offering of Securities will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of any offering of Securities 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.

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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 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 Internal Revenue Service (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*.

Our common stock is traded on Nasdaq under the symbol GAIN. The following table reflects, by quarter, the high and low intraday sales prices per share of our common stock on Nasdaq, the intraday sales prices as a percentage of NAV 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 June 1, 2018.

	Net Asset Value Per Share(1)	Sales Price		Distribution Declared	Premium/ (Discount) of High Sales Price to Net Asset Value(2)	Discount of Low Sales Price to Net Asset Value(2)
		High	Low			
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 (through June 1, 2018)	*	11.59	9.81	0.2610(3)	*	*

(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 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 and December 2017 and in June 2018.

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

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

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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 per share.

As of June 1, 2018, there were 21 record owners of our common stock. This number does not include stockholders for whom shares are held in street name.

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RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND DIVIDENDS ON MANDATORILY REDEEMABLE PREFERRED STOCK

For the years ended March 31, 2018, 2017, 2016, 2015 and 2014, the ratio of earnings to combined fixed charges and dividends on mandatorily redeemable preferred stock of the Company, computed as set forth below, was as follows:

	Year Ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Ratio of earnings to combined fixed charges and dividends on mandatorily redeemable preferred stock	2.5x	2.6x	2.5x	3.3x	4.2x

For purposes of computing the ratio, earnings consist of net investment income before fixed charges and dividends on mandatorily redeemable preferred stock. Fixed charges and dividends on mandatorily redeemable preferred stock consist of interest expense, amortization of deferred financing costs and discounts, dividends on mandatorily redeemable preferred stock on our outstanding series of mandatorily redeemable preferred stock, and the portion of operating lease expense that represents interest. The portion of operating lease expense that represents interest is calculated by dividing the amount of rent expense, allocated to us by our Administrator as part of the administration fee payable under the Administration Agreement, by three. You should read these ratios of earnings to combined fixed charges and dividends on mandatorily redeemable preferred stock in connection with our consolidated financial statements, including the notes to those statements, included elsewhere in this prospectus.

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CONSOLIDATED SELECTED FINANCIAL AND OTHER 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 audited *Consolidated Financial Statements* found elsewhere in this prospectus. The other data included in the second table below is unaudited. The data should be read in conjunction with our audited *Consolidated Financial Statements* and notes thereto and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this prospectus.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Statement of Operations Data:					
Total investment income	**$ 58,355**	$ 51,875	$ 50,955	$ 41,643	$ 36,264
Total expenses, net of credits from Adviser	**36,395**	29,453	30,239	21,746	16,957
Net investment income	**21,960**	22,422	20,716	19,897	19,307
Net realized and unrealized gain (loss)	**38,727**	22,341	4,138	30,317	(20,636)
Net increase (decrease) in net assets resulting from operations	**$ 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 basic and diluted(A)	**$ 1.88**	$ 1.48	$ 0.82	$ 1.88	$ (0.05)
Net investment income before net gain (loss) per common share basic and diluted(A)	**0.68**	0.74	0.68	0.75	0.73
Cash distributions declared per common share(B)	**0.89**	0.75	0.75	0.77	0.71
Statement of Assets and Liabilities Data:					
Total assets	**$ 610,899**	$ 515,195	$ 506,260	$ 483,521	$ 330,694
Net assets	**354,200**	301,082	279,022	273,429	220,837
Net asset value per common share	**10.85**	9.95	9.22	9.18	8.34
Common shares outstanding	**32,653,635**	30,270,958	30,270,958	29,775,958	26,475,958
Weighted common shares outstanding basic and diluted	**32,268,776**	30,270,958	30,268,253	26,665,821	26,475,958

Senior Securities Data:					
Total borrowings, at cost[C]	**$ 112,096**	$ 74,796	$ 100,096	$ 123,896	$ 66,250
Mandatorily redeemable preferred stock[D]	**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.

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(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, refer to Note 9 *Distributions to Common Stockholders* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus.

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

(D) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

	Year Ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Other Unaudited Data:					
Number of portfolio companies	**33**	35	36	34	29
Average size of portfolio company investment at cost	**$ 17,723**	$ 15,005	$ 14,392	$ 14,861	$ 13,225
Principal amount of new investments	**59,424**	54,370	69,380	108,197	132,291
Proceeds from loan repayments and investments sold	**39,859**	68,825	44,582	11,260	83,415
Weighted average yield on investments, excluding loans on non-accrual status[(A)]	**13.06%**	12.65%	12.62%	12.60%	12.61%
Weighted average yield on investments, including loans on non-accrual status[(B)]	**12.35**	12.44	12.33	12.12	11.65
Total return[(C)]	**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 fiscal year.

(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 fiscal year.

(C) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, 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.

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SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended March 31, 2018. The information 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)

	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

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollar amounts in thousands, except per share data and as otherwise indicated)

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 herein. Historical financial condition and results of operations and percentage relationships among any amounts in the financial statements are not necessarily indicative of financial condition, results of operations or percentage relationships for any future periods. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings *Special Note Regarding Forward-Looking Statements* and *Risk Factors* in this prospectus.

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. In order 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.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the 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 March 31, 2018, our investment portfolio was made up of 73.8% in debt securities and 26.2% in equity securities, at cost.

We focus on investing in Lower Middle Market private businesses 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, as applicable, 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, and have opportunistically made several co-investments with our affiliate 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.

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. For the fiscal year ended March 31, 2018, we exited two portfolio companies with fair values prior to their sales of $19.2 million and $3.4 million, respectively, invested $59.4 million in two new portfolio companies, and completed two separate mergers (in each case, one of our existing portfolio companies merged with another one of our portfolio companies), resulting in a net reduction of two companies from our portfolio, which was comprised of 33 companies as of March 31, 2018. From our initial public offering in June 2005 through March 31, 2018, we have made investments in 47 companies, excluding investments in syndicated loans, for a total of approximately $1 billion, before giving effect to principal repayments and divestures.

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 March 31, 2018, we had unrecognized, contractual success fees of $28.3 million, or $0.87 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 March 31, 2018, we have completed 12 buyout liquidity events, which, in the aggregate, have generated $85.7 million in net realized gains and $22.0 million in other income upon exit, for a total increase to our net assets of $107.7 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 12 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 62.5% from March 2011 through March 31, 2018, and allowed us to 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, a $0.06 per common share supplemental distribution in June 2017, and a $0.06 per common share supplemental distribution in December 2017.

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 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, and 2.3 million shares of our Series D Term Preferred Stock for gross proceeds of $57.5 million in September 2016. Refer to *Management s*

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Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments At-the-Market Program for a discussion of our at-the-market program, to *Liquidity and Capital Resources Revolving Line of Credit* for further discussion of the Credit Facility and to *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.

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 May 14, 2018, the closing market price of our common stock was $11.25 per share, which represented a 3.7% premium to our March 31, 2018 NAV per share of $10.85. 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 makes certain determinations prior to any such sale. This August 2017 stockholder authorization is in effect for one year from the date of stockholder 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 under the at-the-market program in March 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 an asset coverage ratio (as defined in Sections 18 and 61 of the 1940 Act), of at least 200.0% (currently) or 150.0% (effective April 10, 2019; refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the SBCAA) on each of our senior securities representing indebtedness and our senior securities that are stock (such as our three series of term preferred stock). As of March 31, 2018, our asset coverage ratio on our senior securities representing indebtedness was 525.7% and our asset coverage ratio on our senior securities that are stock was 237.3%.

Investment Highlights

For the fiscal year ended March 31, 2018, and inclusive of non-cash transactions, we invested $59.4 million in two new portfolio companies, received $83.2 million in proceeds from repayments and sales, and extended $82.1 million of follow-on investments to existing portfolio companies through revolver draws, term loans, and additions to equity, as applicable.

Investment Activity

During the fiscal year ended March 31, 2018, the following significant transactions occurred:

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

In May and June 2017, we sold a portion of our common stock investment in AquaVenture Holdings Limited f/k/a Quench Holdings Corp. (AquaVenture) resulting in net cash proceeds of $2.0 million, which represented a return of capital. In December 2017, we sold another portion of our common stock investment in AquaVenture resulting in net cash proceeds of $1.2 million, which also represented a return of capital. In March 2018, we sold the remaining portion of our common stock investment in AquaVenture resulting in net cash proceeds of $0.2 million, which resulted in a nominal realized gain.

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

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

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

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

In December 2017, we invested $6.9 million in an existing portfolio company, Brunswick, through a secured first lien debt investment. In January 2018, we refinanced our existing loans to Brunswick into a new secured first lien debt investment with a principal and cost basis of $17.7 million.

In January 2018, we invested $8.5 million in an existing portfolio company, Schylling, Inc., through a secured first lien debt investment and also provided a $6.0 million secured first lien bridge loan.

In January 2018, we provided an $11.0 million secured first lien bridge loan to an existing portfolio company, Nth Degree, which was repaid at par in March 2018.

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The following significant investment activity occurred subsequent to March 31, 2018. Also refer to Note 15 *Subsequent Events* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus.

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.

Recent Developments

At-the-Market Program

In February 2018, we entered into equity distribution 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. During the year ended March 31, 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. As of March 31, 2018, we had a remaining capacity to sell up to $33.7 million of common stock under the ATM program.

Subsequent to March 31, 2018 and through May 8, 2018, we sold an additional 168,824 shares of our common stock under our 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, these sales were above our then current estimated NAV per share.

Small Business Credit Availability Act

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 SBCAA. 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. Notwithstanding the modified asset coverage requirement under the 1940 Act 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 three series of mandatorily redeemable preferred stock.

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Distributions and Dividends

In April 2018, our Board of Directors declared the following monthly and supplemental 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
April 20, 2018	April 30, 2018	$ 0.067	$ 0.140625	$ 0.135417	$ 0.13020833
May 22, 2018	May 31, 2018	0.067	0.140625	0.135417	0.13020833
June 6, 2018	June 15, 2018	0.060[A]			
June 20, 2018	June 29, 2018	0.067	0.140625	0.135417	0.13020833
	Total for the Quarter:	**$ 0.261**	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

(A) Represents a supplemental distribution to common stockholders.

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RESULTS OF OPERATIONS

Comparison of the Fiscal Year Ended March 31, 2018 to the Fiscal Year Ended March 31, 2017

	For the Fiscal Years Ended March 31,			
	2018	2017	$ Change	% Change
INVESTMENT INCOME				
Interest income	**$ 48,799**	$ 46,147	$ 2,652	5.7%
Other income	**9,556**	5,728	3,828	66.8
Total investment income	**58,355**	51,875	6,480	12.5
EXPENSES				
Base management fee	**10,796**	9,925	871	8.8
Loan servicing fee	**6,277**	6,606	(329)	(5.0)
Incentive fee	**10,648**	4,750	5,898	124.2
Administration fee	**1,087**	1,120	(33)	(2.9)
Interest and dividend expense	**13,039**	12,223	816	6.7
Amortization of deferred financing costs and discounts	**1,468**	1,875	(407)	(21.7)
Other	**3,031**	3,066	(35)	(1.1)
Expenses before credits from Adviser	**46,346**	39,565	6,781	17.1
Credits to fees from Adviser	**(9,951)**	(10,112)	161	(1.6)
Total expenses, net of credits to fees	**36,395**	29,453	6,942	23.6
NET INVESTMENT INCOME	**21,960**	22,422	(462)	(2.1)
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain on investments	**1,336**	15,641	(14,305)	(91.5)
Net realized loss on other		(254)	254	(100.0)
Net unrealized appreciation of investments	**37,891**	6,879	31,012	450.8
Net unrealized appreciation of other	**(500)**	75	(575)	NM
Net realized and unrealized gain	**38,727**	22,341	16,386	73.3
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 60,687**	$ 44,763	$ 15,924	35.6
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.68**	$ 0.74	$ (0.06)	(8.1)%
Net increase in net assets resulting from operations	**1.88**	1.48	0.40	27.0

NM = Not Meaningful

Investment Income

Total investment income increased by 12.5% for the year ended March 31, 2018 as compared to the prior year. This increase was due to increases in both interest income and other income for the year ended March 31, 2018 as compared to the prior year.

Interest income from our investments in debt securities increased 5.7% for the year ended March 31, 2018 as compared to the prior year. 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 year ended March 31, 2018, was $373.4 million, compared to $364.7 million for the prior year. This increase was primarily due to $47.2 million in new debt investments and $68.8 million in follow-on debt investments to existing portfolio companies originated after March 31, 2017, partially offset by the pay-off or restructure of

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$65.3 million of debt investments principally related to the exit, merger, or restructure of portfolio companies, and their respective impact on the weighted average principal balance when considering the timing of new investments, pay-offs, mergers, restructures, and non-accruals, as applicable. The weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 13.1% and 12.7% for the year ended March 31, 2018 and 2017, respectively. The weighted average yield may vary from period to period, based on the current stated interest rate on interest-bearing investments.

At March 31, 2018, and March 31, 2017, certain of our loans to two portfolio companies, Alloy Die Casting Co. (ADC) and Tread Corporation (Tread), were on non-accrual status, with an aggregate debt cost basis of $15.6 million as of both periods.

Other income for the year ended March 31, 2018 increased 66.8% from the prior year. During the year ended March 31, 2018, other income primarily consisted of $4.2 million of dividend income and $5.3 million of success fee income. During the year ended March 31, 2017, other income primarily consisted of $3.3 million of dividend income and $2.4 million of success fee income.

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

	As of March 31, 2018		Year Ended March 31, 2018	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Cambridge Sound Management, Inc.	$ 42,178	7.0%	$ 3,383	5.8%
Nth Degree, Inc.	39,714	6.6	2,636	4.5
J.R. Hobbs Co. Atlanta, LLC	35,480	5.9	3,386	5.8
Brunswick Bowling Products, Inc.	34,315	5.7	2,239	3.8
ImageWorks Display and Marketing Group, Inc.(A)	31,722	5.3	1,080	1.9
Subtotal five largest investments	**183,409**	**30.5**	**12,724**	**21.8**
Other portfolio companies	415,738	69.5	45,610	78.2
Total investment portfolio	**$ 599,147**	**100.0%**	**$ 58,334**	**100.0%**

	As of March 31, 2017		Year Ended March 31, 2017	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
J.R. Hobbs Co. Atlanta, LLC(A)	$ 29,870	6.0%	$ 359	0.7%
Counsel Press, Inc.	29,617	5.9	3,118	6.0
Cambridge Sound Management, Inc.	27,046	5.4	2,065	4.0

Nth Degree, Inc.	25,761	5.1	1,684	3.2
Drew Foam Companies, Inc.	25,242	5.0	1,666	3.2
Subtotal five largest investments	**137,536**	**27.4**	**8,892**	**17.1**
Other portfolio companies	364,043	72.6	42,980	82.9
Total investment portfolio	**$ 501,579**	**100.0%**	**$ 51,872**	**100.0%**

(A) New investment during the applicable year.

Expenses

Total expenses, net of any non-contractual, unconditional, and irrevocable credits from the Adviser, increased 23.6% for the year ended March 31, 2018, as compared to the prior year, primarily due to an increase in the incentive fee, the base management fee, and interest and dividend expense, partially offset by a decrease in amortization of deferred financing fees and discounts.

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The income-based incentive fee increased for the year ended March 31, 2018, as compared to the prior year, as pre-incentive fee net investment income increased, partially offset by an increase in net assets, which drives the hurdle rate. Additionally, in accordance with GAAP, we recorded a capital gains-based incentive fee of $4.4 million during the year ended March 31, 2018, which is not contractually due under the terms of the Advisory Agreement. There was no capital gains-based incentive fee recorded or paid during the prior year.

The base management fee increased for the year ended March 31, 2018, as compared to the prior year, as average total assets increased over the period.

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:

	Year Ended March 31, 2018	Year Ended March 31, 2017
Average total assets subject to base management fee(A)	**$ 539,800**	$ 496,250
Multiplied by annual base management fee of 2.0%	**2.0%**	2.0%
Base management fee(B)	**10,796**	9,925
Credits to fees from Adviser other(B)	**(3,674)**	(3,506)
Net base management fee	**$ 7,122**	$ 6,419
Loan servicing fee(B)	**$ 6,277**	$ 6,606
Credits to base management fee loan servicing fee(B)	**(6,277)**	(6,606)
Net loan servicing fee	**$**	$
Incentive fee income-based	**$ 6,249**	$ 4,750
Incentive fee capital gains-based(C)	**4,399**	
Total incentive fee(B)	**10,648**	4,750
Credits to fees from Adviser other(B)		
Net total incentive fee	**$ 10,648**	$ 4,750

(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 contractually due under the terms of the Advisory Agreement.

Interest and dividend expense increased 6.7% during the year ended March 31, 2018, as compared to the prior year, primarily due to higher costs of borrowings under the Credit Facility. The effective interest rate on the Credit Facility, excluding the impact of deferred financing costs, during the year ended March 31, 2018 was 5.4%, as compared to 4.7% in the prior year. Dividends on our mandatorily redeemable preferred stock increased $0.3 million in the current year, when the Series D Term Preferred Stock was outstanding for the entire year, as compared to the prior year, when the Series D Term Preferred Stock was newly issued and only outstanding for a portion of the period and the 7.125% Series A Cumulative Term Preferred Stock (our Series A Term Preferred Stock or Series A) was outstanding until September 2016.

Amortization of deferred financing costs and discounts decreased 21.7% for the year ended March 31, 2018 as compared to the prior year, primarily as a result of the write-off of previously deferred costs in the prior year related to the Credit Facility s amendment in November 2016.

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Realized and Unrealized Gain (Loss)

Net Realized Gain on Investments

During the year ended March 31, 2018, we recorded a net realized gain on investments of $1.3 million, primarily related to a $1.0 million realized gain from the exit of Mitchell, compared to net realized gains on investments of $15.6 million during the prior year period, primarily related to an $18.9 million realized gain from the exit of Acme Cryogenics, Inc. (Acme), a $5.9 million realized gain from the exit of Behrens Manufacturing, LLC (Behrens), and a $1.3 million realized gain related to an additional earn-out from Funko, LLC, which was exited during the fiscal year ended March 31, 2016, partially offset by a $10.2 million realized loss from the restructure of D.P.M.S., Inc. (Danco).

Net Realized Loss on Other

There were no realized gains or losses on other during the year ended March 31, 2018. During the year ended March 31, 2017, we recorded a net realized loss on other of $0.3 million, of which $0.2 million related to the redemption of our Series A Term Preferred Stock in September 2016 and $0.1 million related to the expiration of our interest rate cap agreement in April 2016.

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Net Unrealized Appreciation of Investments

During the year ended March 31, 2018, we recorded net unrealized appreciation of investments of $37.9 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the year ended March 31, 2018, were as follows:

	Year Ended March 31, 2018			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Cambridge Sound Management, Inc.	$	$ 15,132	$	$ 15,132
Nth Degree, Inc.		13,953		13,953
J.R. Hobbs Co. Atlanta, LLC		8,560		8,560
Ginsey Home Solutions, Inc.		5,380		5,380
Brunswick Bowling Products, Inc.		5,286		5,286
Tread Corporation		4,534		4,534
Precision Southeast, Inc.		2,776	1,054	3,830
Star Seed, Inc.		3,290		3,290
Old World Christmas, Inc.		3,276		3,276
Frontier Packaging, Inc.		3,121		3,121
Drew Foam Companies, Inc.		2,865		2,865
ImageWorks Display and Marketing Group, Inc.		2,673		2,673
Mathey Investments, Inc.			2,658	2,658
Pioneer Square Brands, Inc.		2,300		2,300
SBS Industries, LLC		1,974		1,974
Acme Cryogenics, Inc.	236			236
Schylling, Inc.		(262)		(262)
Logo Sportswear, Inc.		(509)		(509)
GI Plastek, Inc.		(1,856)	1,252	(604)
B-Dry, LLC		(873)		(873)
Alloy Die Casting Co.		(875)		(875)
Jackrabbit, Inc.		(903)		(903)
Mitchell Rubber Products, Inc.	982		(2,783)	(1,801)
Meridian Rack & Pinion, Inc.		(2,716)		(2,716)
Head Country, Inc.		(3,197)		(3,197)
Galaxy Tool Holding Corporation		(3,785)		(3,785)
SOG Specialty Knives & Tools, LLC		(4,182)		(4,182)
Country Club Enterprises, LLC		(4,246)		(4,246)
PSI Molded Plastics, Inc.		(5,964)		(5,964)
The Mountain Corporation		(10,061)		(10,061)
Other, net (<$250 Net)	118	(128)	147	137
Total	**$ 1,336**	**$ 35,563**	**$ 2,328**	**$ 39,227**

The primary drivers of net unrealized appreciation of investments of $37.9 million for the year ended March 31, 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, partially offset by the reversal of previously recorded unrealized appreciation upon the exit of our investment in Mitchell and a decline in performance of certain of our other portfolio companies.

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During the year ended March 31, 2017, we recorded net unrealized appreciation of investments of $6.9 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the year ended March 31, 2017 were as follows:

	Year Ended March 31, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Mitchell Rubber Products, Inc.	$	$ 14,079	$	$ 14,079
Logo Sportswear, Inc.		8,375		8,375
Galaxy Tool Holding Corporation		6,242		6,242
Brunswick Bowling Products, Inc.		6,062		6,062
Head Country, Inc.		5,752		5,752
Drew Foam Companies, Inc.		5,287		5,287
Nth Degree, Inc.		4,760		4,760
Old World Christmas, Inc.		2,975		2,975
Ginsey Home Solutions, Inc.		2,362		2,362
Meridian Rack & Pinion, Inc.		1,757		1,757
Edge Adhesives Holdings, Inc.		1,628		1,628
Funko Acquisition Holdings, LLC	1,087	36		1,123
Diligent Delivery Systems		907		907
Counsel Press, Inc.		717		717
Behrens Manufacturing, LLC	5,935	1,820	(7,491)	264
Auto Safety House, LLC		146	(457)	(311)
SBS Industries, LLC		(794)		(794)
Frontier Packaging, Inc.		(843)		(843)
AquaVenture Holdings Limited		(925)		(925)
B-Dry, LLC		(987)		(987)
D.P.M.S., Inc.	(10,226)	(3,848)	12,601	(1,473)
Tread Corporation		(1,737)		(1,737)
Cambridge Sound Management, Inc.		(1,789)		(1,789)
Mathey Investments, Inc.		(1,934)		(1,934)
Jackrabbit, Inc.		(1,984)		(1,984)
Acme Cryogenics, Inc.	18,904		(21,216)	(2,312)
Alloy Die Casting Co.		(3,283)		(3,283)
Schylling, Inc.		(3,842)		(3,842)
Precision Southeast, Inc.		(3,922)		(3,922)
The Mountain Corporation		(6,747)		(6,747)
SOG Specialty Knives & Tools, LLC		(7,036)		(7,036)
Other, net (<$250 Net)	(59)	208		149
Total	**$ 15,641**	**$ 23,442**	**$ (16,563)**	**$ 22,520**

The primary drivers of net unrealized appreciation of investments of $6.9 million for the year ended March 31, 2017 were the reversal of previously recorded unrealized depreciation related to our investment in Danco upon its restructure, an increase in the fair value of our investment in Mitchell based on its sale in April 2017, and increased performance and comparable multiples used to estimate the fair value of certain of our investments, which was partially offset by unrealized depreciation resulting from the reversal of previously recorded unrealized appreciation related to the exit of our investments in Acme and Behrens and a decrease in performance of certain of our portfolio companies.

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Across our entire investment portfolio, we recorded $13.9 million of net unrealized depreciation on our debt positions and $51.8 million of net unrealized appreciation on our equity holdings for the year ended March 31, 2018. At March 31, 2018, the fair value of our investment portfolio was greater than our cost basis by $14.3 million, as compared to March 31, 2017, when the fair value of our investment portfolio was less than our cost basis by $23.6 million at March 31, 2017, representing net unrealized appreciation of $37.9 million for the year ended March 31, 2018. Our entire portfolio was fair valued at 102.4% of cost as of March 31, 2018.

Net Unrealized Appreciation on Other

During the year ended March 31, 2018, we recorded net unrealized appreciation of other of $0.5 million related to the Credit Facility recorded at fair value. During the year ended March 31, 2017, we recorded net unrealized appreciation on other of $0.1 million due to the reversal of previously recorded depreciation upon the expiration of our interest rate cap agreement in April 2016.

Comparison of the Fiscal Year Ended March 31, 2017, to the Fiscal Year Ended March 31, 2016

	For the Fiscal Years Ended March 31,			
	2017	**2016**	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 46,147**	$ 46,397	$ (250)	(0.5)%
Other income	**5,728**	4,558	1,170	25.7
Total investment income	**51,875**	50,955	920	1.8
EXPENSES				
Base management fee	**9,925**	9,925		
Loan servicing fee	**6,606**	6,697	(91)	(1.4)
Incentive fee	**4,750**	5,179	(429)	(8.3)
Administration fee	**1,120**	1,190	(70)	(5.9)
Interest and dividend expense	**12,223**	12,117	106	0.9
Amortization of deferred financing costs and discounts	**1,875**	1,908	(33)	(1.7)
Other	**3,066**	3,046	20	0.7
Expenses before credits from Adviser	**39,565**	40,062	(497)	(1.2)
Credits to fees from Adviser	**(10,112)**	(9,823)	(289)	2.9
Total expenses, net of credits to fees	**29,453**	30,239	(786)	(2.6)
NET INVESTMENT INCOME	**22,422**	20,716	1,706	8.2
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	**15,641**	(4,599)	20,240	NM
Net realized loss on other	**(254)**		(254)	NM
Net unrealized appreciation of investments	**6,879**	8,737	(1,858)	(21.3)
Net unrealized appreciation of other	**75**		75	NM

Net realized and unrealized gain	**22,341**	4,138	18,203	439.9
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 44,763**	$ 24,854	$ 19,909	80.1
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.74**	$ 0.68	$ 0.06	8.8%
Net increase in net assets resulting from operations	**1.48**	0.82	0.66	80.5

NM = Not Meaningful

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Investment Income

Total investment income increased by 1.8% for the year ended March 31, 2017, as compared to the prior year. This increase was due to an increase in other income, partially offset by a slight decline in interest income for the same period, which resulted primarily from a small decrease in the size of our interest-bearing portfolio during the year ended March 31, 2017.

Interest income from our investments in debt securities remained relatively flat for the year ended March 31, 2017, as compared to the prior year. 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 year ended March 31, 2017, was $364.7 million, compared to $367.6 million for the prior year. This slight decrease was primarily due to the pay-off or restructure of $48.4 million of debt investments principally related to the exit or restructure of portfolio companies, and to $41.6 million in new debt investments and $15.5 million in follow-on debt investments to existing portfolio companies originated after March 31, 2016, 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 other income, was 12.7% and 12.6% for the year ended March 31, 2017 and 2016, respectively. The weighted average yield may vary from period to period, based on the current stated interest rate on interest-bearing investments.

At March 31, 2017, certain of our loans to two portfolio companies, ADC and Tread, were on non-accrual status, with an aggregate debt cost basis of $15.6 million. At March 31, 2016, our loan to Tread was on non-accrual status, with an aggregate debt cost basis of $1.4 million.

Other income for the year ended March 31, 2017 increased 25.7% from the prior year. During the year ended March 31, 2017, other income primarily consisted of $3.3 million of dividend income and $2.4 million of success fee income. During the year ended March 31, 2016, other income primarily consisted of $2.9 million of dividend income and $1.6 million of success fee income.

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

	As of March 31, 2017		Year Ended March 31, 2017	
Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
J.R. Hobbs Co. Atlanta, LLC[(A)]	$ 29,870	6.0%	$ 359	0.7%
Counsel Press, Inc.	29,617	5.9	3,118	6.0
Cambridge Sound Management, Inc.	27,046	5.4	2,065	4.0
Nth Degree, Inc.	25,761	5.1	1,684	3.2
Drew Foam Companies, Inc.	25,242	5.0	1,666	3.2
Subtotal five largest investments	**137,536**	**27.4**	**8,892**	**17.1**
Other portfolio companies	364,043	72.6	42,980	82.9

Total investment portfolio	**$ 501,579**	**100.0%**	**$ 51,872**	**100.0%**

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Company	As of March 31, 2016 Fair Value	% of Portfolio	Year Ended March 31, 2016 Investment Income	% of Total Investment Income
Acme Cryogenics, Inc.(B)	$ 44,894	9.2%	$ 1,695	3.3%
Counsel Press, Inc.	28,899	5.9	3,183	6.3
Cambridge Sound Management, Inc.	27,835	5.7	1,983	3.9
SOG Specialty Knives & Tools, LLC	26,147	5.4	2,665	5.2
Nth Degree, Inc.(A)	21,002	4.3	503	1.0
Subtotal five largest investments	**148,777**	**30.5**	**10,029**	**19.7**
Other portfolio companies	338,879	69.5	40,924	80.3
Total investment portfolio	**$ 487,656**	**100.0%**	**$ 50,953**	**100.0%**

(A) New investment during the applicable year.
(B) Investment exited subsequent to March 31, 2016.

Expenses

Total expenses, net of any non-contractual, unconditional, and irrevocable credits from the Adviser, decreased 2.6% for the year ended March 31, 2017, as compared to the prior year, primarily due to a decrease in the incentive fee. The incentive fee decreased as a result of an increase in net assets, which drives the hurdle rate, period over period.

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 notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Year Ended March 31, 2017	Year Ended March 31, 2016
Average total assets subject to base management fee(A)	**$ 496,250**	$ 496,250
Multiplied by annual base management fee of 2.0%	2.0%	2.0%
Base management fee(B)	**9,925**	9,925
Credits to fees from Adviser other(B)	(3,506)	(3,126)
Net base management fee	**$ 6,419**	$ 6,799
Loan servicing fee(B)	**$ 6,606**	$ 6,697
Credits to base management fee loan servicing fee(B)	(6,606)	(6,697)
Net loan servicing fee	**$**	$

Incentive fee[B]		**4,750**		5,179
Credits to fees from Adviser other[B]				
Net incentive fee	**$**	**4,750**	$	5,179

(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*.

Realized and Unrealized Gain (Loss)

Net Realized Gain (Loss) on Investments

During the year ended March 31, 2017, we recorded a net realized gain on investments of $15.6 million, primarily related to a $18.9 million realized gain from the exit of Acme, a $5.9 million realized gain from the exit of Behrens, and a $1.3 million realized gain related to an additional earn-out from Funko, LLC, which was exited during the year ended March 31, 2016, partially offset by a $10.2 million realized loss from the restructure of Danco. During the year ended March 31, 2016, we recorded a net realized loss of $4.6 million, primarily related to realized losses of $10.5 million, $2.8 million, and $8.6 million related to the restructuring of our investments in Galaxy Tool Holding Corporation (Galaxy), NDLI, Inc. (NDLI), and Tread, respectively, partially offset by a realized gain of $17.0 million related to the sale of our investments in Funko, LLC and $0.3 million of other gains.

Net Realized Loss on Other

During the year ended March 31, 2017, we recorded a net realized loss on other of $0.3 million, of which $0.2 million related to the redemption of our Series A Term Preferred Stock in September 2016 and $0.1 million related to the expiration of our interest rate cap agreement in April 2016. There were no realized gains or losses on other during the year ended March 31, 2016.

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Net Unrealized Appreciation of Investments

During the year ended March 31, 2017, we recorded net unrealized appreciation of investments of $6.9 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the year ended March 31, 2017, were as follows:

	Year Ended March 31, 2017			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Mitchell Rubber Products, Inc.	$	$ 14,079	$	$ 14,079
Logo Sportswear, Inc.		8,375		8,375
Galaxy Tool Holding Corporation		6,242		6,242
Brunswick Bowling Products, Inc.		6,062		6,062
Head Country, Inc.		5,752		5,752
Drew Foam Companies, Inc.		5,287		5,287
Nth Degree, Inc.		4,760		4,760
Old World Christmas, Inc.		2,975		2,975
Ginsey Home Solutions, Inc.		2,362		2,362
Meridian Rack & Pinion, Inc.		1,757		1,757
Edge Adhesives Holdings, Inc.		1,628		1,628
Funko Acquisition Holdings, LLC	1,087	36		1,123
Diligent Delivery Systems		907		907
Counsel Press, Inc.		717		717
Behrens Manufacturing, LLC	5,935	1,820	(7,491)	264
Auto Safety House, LLC		146	(457)	(311)
SBS Industries, LLC		(794)		(794)
Frontier Packaging, Inc.		(843)		(843)
AquaVenture Holdings Limited		(925)		(925)
B-Dry, LLC		(987)		(987)
D.P.M.S., Inc.	(10,226)	(3,848)	12,601	(1,473)
Tread Corporation		(1,737)		(1,737)
Cambridge Sound Management, Inc.		(1,789)		(1,789)
Mathey Investments, Inc.		(1,934)		(1,934)
Jackrabbit, Inc.		(1,984)		(1,984)
Acme Cryogenics, Inc.	18,904		(21,216)	(2,312)
Alloy Die Casting Co.		(3,283)		(3,283)
Schylling, Inc.		(3,842)		(3,842)
Precision Southeast, Inc.		(3,922)		(3,922)
The Mountain Corporation		(6,747)		(6,747)
SOG Specialty Knives & Tools, LLC		(7,036)		(7,036)
Other, net (<$250 Net)	(59)	208		149
Total	**$ 15,641**	**$ 23,442**	**$ (16,563)**	**$ 22,520**

The primary drivers of net unrealized appreciation of investments of $6.9 million for the year ended March 31, 2017 were the reversal of previously recorded unrealized depreciation related to our investment in Danco upon its restructure, an increase in the fair value of our investment in Mitchell based on its sale in April 2017, and increased performance and comparable multiples used to estimate the fair value of certain of our investments, which was partially offset by unrealized depreciation resulting from the reversal of previously recorded unrealized appreciation related to the exit of our investments in Acme and Behrens and a decrease in performance of certain of our portfolio companies.

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During the year ended March 31, 2016, we recorded net unrealized appreciation of investments of $8.7 million. The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the year ended March 31, 2016 were as follows:

	Year Ended March 31, 2016			
Portfolio Company	**Realized Gain (Loss)**	**Unrealized Appreciation (Depreciation)**	**Reversal of Unrealized (Appreciation) Depreciation**	**Net Gain (Loss)**
Acme Cryogenics, Inc.	$	$ 21,875	$	$ 21,875
Cambridge Sound Management, Inc.		5,636		5,636
D.P.M.S., Inc.		5,503		5,503
Frontier Packaging, Inc.		5,426		5,426
Behrens Manufacturing, LLC		5,147		5,147
Schylling, Inc.		4,103		4,103
Drew Foam Companies, Inc.		3,697		3,697
Funko, LLC	17,039	1,861	(16,009)	2,891
Country Club Enterprises, LLC		2,450		2,450
Precision Southeast, Inc.		2,092		2,092
Nth Degree, Inc.		2,052		2,052
Diligent Delivery Systems		1,484		1,484
Logo Sportswear, Inc.		1,245		1,245
Tread Corporation	(8,628)	3,603	6,086	1,061
NDLI, Inc.	(2,795)	(50)	3,480	635
GI Plastek, Inc.		522		522
Auto Safety House, LLC		373		373
Brunswick Bowling Products, Inc.		324		324
Star Seed, Inc.		(300)		(300)
Quench Holdings Corp.		(1,072)		(1,072)
Jackrabbit, Inc.		(1,133)		(1,133)
Channel Technologies Group, LLC		(1,401)		(1,401)
Cavert II Holding Corp.	(1)	63	(1,483)	(1,421)
Counsel Press Inc.		(1,596)		(1,596)
B-Dry, LLC		(2,069)		(2,069)
Ginsey Home Solutions, Inc.		(2,362)		(2,362)
Mitchell Rubber Products, Inc.		(3,154)	700	(2,454)
Old World Christmas, Inc.		(2,498)		(2,498)
SBS Industries, LLC		(2,810)		(2,810)
Meridian Rack & Pinion, Inc.		(2,950)		(2,950)
Head Country Food Products, Inc.		(3,931)		(3,931)
Edge Adhesives Holdings, Inc.		(3,971)	9	(3,962)
Alloy Die Casting Co.		(4,274)		(4,274)
B+T Group Acquisition, Inc.		(4,541)		(4,541)
SOG Specialty Knives & Tools, LLC		(5,704)		(5,704)
Mathey Investments, Inc.		(7,576)		(7,576)
Galaxy Tool Holding Corporation	(10,545)	(2,762)	2,762	(10,545)

Other, net (<$250 Net)	331		(110)	221
Total	**$ (4,599)**	**$ 13,302**	**$ (4,565)**	**$ 4,138**

The primary drivers of net unrealized appreciation of investments of $8.7 million for the year ended March 31, 2016 were an increase in the equity valuation of Acme due to an increase in performance and comparable multiples used to estimate the fair value of our investment, as well as an increase in performance and, to a lesser extent, multiples used to estimate the fair value of certain of our other investments and the reversal of previously recorded unrealized depreciation on our investments in Galaxy, NDLI, and Tread upon their restructures. These increases were partially offset by the reversal of previously recorded unrealized appreciation on our investments in Cavert II Holding Corp. and Funko, LLC upon their exits as well as a decline in the performance of certain portfolio companies.

Across our entire investment portfolio, we recorded $10.0 million of net unrealized appreciation on our debt positions and $3.1 million of net unrealized depreciation on our equity holdings for the year ended March 31, 2017. At March 31, 2017, the fair value of our investment portfolio was less than our cost basis by $23.6 million, as compared to $30.5 million at March 31, 2016, representing net unrealized appreciation of $6.9 million for the year ended March 31, 2017. Our entire portfolio was fair valued at 95.5% of cost as of March 31, 2017.

Net Unrealized Appreciation on Other

For the year ended March 31, 2017, we recorded net unrealized appreciation on other of $0.1 million due to the reversal of previously recorded depreciation upon the expiration of our interest rate cap agreement in April 2016. For the year ended March 31, 2016, no such amounts were incurred.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash inflows from operating activities are primarily generated from cash collections of interest and other income from our portfolio companies, as well as from cash proceeds received from repayments of debt investments and from sales of equity investments. These cash collections are principally used to fund new investments, pay distributions to our common stockholders, make interest payments on the Credit Facility, make dividend payments on our mandatorily redeemable preferred stock, pay management and incentive fees to the Adviser, and for other operating expenses. We may also use cash collections from operations to repay outstanding borrowings under the Credit Facility.

Net cash used in operating activities for the year ended March 31, 2018 was $28.8 million, as compared to net cash provided by operating activities of $32.5 million for the year ended March 31, 2017. This change was primarily due to an increase in purchases of investments and lower repayments and net proceeds from the sale of investments. Purchases of investments totaled $98.5 million during the year ended March 31, 2018, compared to $62.4 million during the year ended March 31, 2017. Repayments and net proceeds from the sale of investments totaled $39.9 million during the year ended March 31, 2018 compared to $68.8 million during the year ended March 31, 2017.

Net cash provided by operating activities for the year ended March 31, 2017 was $32.5 million, as compared to $4.1 million for the year ended March 31, 2016. This change was primarily due to an increase in repayments and net proceeds from the sale of investments year over year. Repayments and net proceeds from the sale of investments totaled $68.8 million during the year ended March 31, 2017 compared to $44.6 million during the year ended March 31, 2016.

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As of March 31, 2018, we had equity investments in, or loans to, 33 companies with an aggregate cost basis of $584.8 million. As of March 31, 2017, we had equity investments in, or loans to, 35 companies with an aggregate cost basis of $525.2 million. The following table summarizes our total portfolio investment activity for the years ended March 31, 2018 and 2017:

	Years Ended March 31, 2018	2017
Beginning investment portfolio, at fair value	**$ 501,579**	$ 487,656
New investments	**59,424**	54,370
Disbursements to existing portfolio companies	**39,115**	8,076
Unscheduled principal repayments	**(32,208)**	(31,886)
Net proceeds from sales of investments	**(7,651)**	(36,939)
Net realized gain on investments	**982**	13,423
Net unrealized appreciation of investments	**35,563**	23,442
Reversal of net unrealized depreciation (appreciation) of investments	**2,328**	(16,563)
Amortization of premiums, discounts, and acquisition costs, net	**15**	
Ending investment portfolio, at fair value	**$ 599,147**	$ 501,579

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of March 31, 2018:

		Amount
For the fiscal years ending March 31:	2019	$ 80,494
	2020	98,913
	2021	73,700
	2022	80,446
	2023	73,700
	Thereafter	24,618
	Total contractual repayments	**$ 431,871**
	Adjustments to cost basis of debt investments	(84)
	Investments in equity securities	153,059
	Total cost basis of investments held as of March 31, 2018:	**$ 584,846**

Financing Activities

Net cash provided by financing activities for the year ended March 31, 2018 was $29.6 million, which consisted primarily of $37.3 million of net proceeds from the Credit Facility, $21.4 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, and net proceeds from the issuance of common stock under the ATM program in March 2018, partially offset by $28.9 million in distributions paid to common stockholders.

Net cash used in financing activities for the year ended March 31, 2017 was $34.1 million, which consisted primarily of $25.3 million of net repayments on the Credit Facility, $22.7 million in distributions paid to common stockholders, and the redemption of our Series A Term Preferred Stock in September 2016 of $40.0 million, partially offset by net proceeds from the issuance of our Series D Term Preferred Stock of $55.4 million in September 2016.

Net cash used in financing activities for the year ended March 31, 2016 was $4.5 million, which consisted primarily of $23.8 million of net repayments on the Credit Facility and $22.7 million of distributions paid to common stockholders, partially offset by $38.6 million of net proceeds from the issuance of our Series C Term Preferred Stock and $3.4 million of net proceeds from the issuance of additional shares of our common stock.

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 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 $0.064 per common share for each of the months from April 2017 through September 2017, and $0.065 per common share for each of the months from October 2017 through March 2018, and supplemental distributions of $0.06 per common share for each of June 2017 and December 2017. In April 2018, our Board of Directors declared a monthly distribution of $0.067 per common share for each of April, May, and June 2018 and a supplemental distribution of $0.06 per common share for June 2018. Our Board of Directors declared these distributions based on estimates of Investment Company Taxable Income and net long-term capital gains for the fiscal year ending March 31, 2019.

The federal income tax characteristics of distributions paid to our common stockholders is generally reported to stockholders on IRS Form 1099-DIV after the end of the calendar year based on tax information for the full fiscal year. The characterization of common stockholder distributions declared and paid for the year ending March 31, 2018 will be determined after the 2018 fiscal year end based upon our taxable income for the full year and distributions paid during the full year. Such a 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, when also considering 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, we recorded a $1.6 million adjustment for estimated book-tax differences, 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. For the year ended March 31, 2017, distributions to common stockholders totaled $22.7 million and were less than our taxable income for the same year, when also considering prior year spillover amounts under Section 855(a) of the Code. At March 31, 2017, we elected to treat $8.2 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, we recorded a $1.3 million adjustment for estimated book-tax differences, which decreased Capital in excess of par value and increased Accumulated net realized gain in excess of distributions and Net investment income in excess of distributions.

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 month during the year ended March 31, 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.

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Dividend Reinvestment Plan

Our common stockholders who hold their shares through our transfer agent, 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 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. See *Dividend Reinvestment Plan*.

Equity

Registration Statement

On July 28, 2017, we filed Post-Effective Amendment No. 5 to the registration statement on Form N-2 (File No. 333-204996), which the SEC declared effective on July 31, 2017. 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 May 14, 2018, we had the ability to issue up to $218.1 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. During the year ended March 31, 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. As of May 14, 2018, we had a remaining capacity to sell up to $31.8 million of common stock under the ATM program.

Pursuant to our 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 estimated 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.

Pursuant to our prior registration statement on Form N-2 (Registration No. 333-181879), on March 13, 2015, we completed a public offering of 3.3 million shares of our common stock at a public offering price of $7.40 per share, which was below then current NAV of $8.55 per share. Gross proceeds totaled $24.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $23.0 million, which were primarily used to repay borrowings under the Credit Facility. In connection with the offering, on April 2, 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price to cover over-allotments, which resulted in gross proceeds of $3.7 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, of $3.4 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 May 14, 2018, the closing market price of our common stock was $11.25 per share, representing a 3.7% premium to our NAV per share of $10.85 as of March 31, 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, scheduled to take place in August 2018, we will again ask our stockholders to vote in favor of a similar proposal so that it may be in effect for another year.

Term Preferred Stock

Pursuant to an earlier registration statement on Form N-2 (File No. 333-160720), in March 2012, we completed an offering of 1,600,000 shares of our Series A Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $40.0 million, and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $38.0 million, a portion of which was used to repay borrowings under the Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. Total underwriting discounts and offering costs related to this offering were $2.0 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and which, prior to the redemption in September 2016, were amortized over the period ending February 28, 2017, the mandatory redemption date.

In September 2016, we used a portion of the proceeds from the issuance of our Series D Term Preferred Stock, discussed below, to voluntarily redeem all 1.6 million outstanding shares of our Series A Term Preferred Stock, which had a liquidation preference of $25.00 per share. In connection with this voluntary redemption, we incurred a loss on extinguishment of debt of $0.2 million, which has been recorded in Realized loss on other in our accompanying *Consolidated Statements of Operations* and which was primarily comprised of unamortized deferred issuance costs at the time of redemption.

Prior to its redemption in September 2016, our Series A Term Preferred Stock provided for a fixed dividend equal to 7.125% per year, payable monthly (which equated to $2.9 million per year). We were required to redeem all of the outstanding Series A Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to $25.00 per share plus an amount equal to accumulated but unpaid dividends, if any, to the date of redemption. Our Series A Term Preferred Stock was not convertible into our common stock or any other security.

Pursuant to our prior 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, (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series B Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio 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 our prior 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, (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series C Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio 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 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 an asset coverage ratio 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 ratio redemption trigger (and we may also redeem additional

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securities to cause the asset coverage ratio 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 March 31, 2018 was 237.3%, calculated pursuant to Sections 18 and 61 of the 1940 Act.

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 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. 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 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 $221.2 million as of March 31, 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 March 31, 2018, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $488.8 million, asset coverage on our senior securities representing indebtedness of 525.7%, 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 March 31, 2018, we had availability, after adjustments for various constraints based on collateral quality, of $53.8 million under the Credit Facility and we were in compliance with all covenants under the Credit Facility. As of May 11, 2018, we had availability, before adjustments for various constraints based on collateral quality, of $32.0 million under the Credit Facility.

In July 2013, pursuant to the terms of the then effective revolving line of credit, we entered into an interest rate cap agreement with KeyBank effective October 2013 for a notional amount of $45.0 million. The interest rate cap agreement expired in April 2016. Prior to its expiration in April 2016, the agreement effectively limited the interest rate on a portion of our borrowings under the then effective revolving line of credit. We incurred a premium fee of $75 in conjunction with this agreement, which was recorded in Net realized loss on other on our accompanying *Consolidated Statements of Operations* during the year ended March 31, 2017.

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 March 31, 2018 and 2017, we had unrecognized, contractual off-balance sheet success fee receivables of $28.3 million and $24.2 million (or approximately $0.87 and $0.80 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 March 31, 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 March 31, 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.

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The following table shows our contractual obligations as of March 31, 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]	$ 107,000	$	$	$ 107,000	$
Mandatorily redeemable preferred stock	139,150			81,650	57,500
Secured borrowing	5,096		5,096		
Interest payments on obligations[C]	63,034	15,120	30,171	15,946	1,797
Total	**$ 314,280**	**$ 15,120**	**$ 35,267**	**$ 204,596**	**$ 59,297**

(A) Excludes unused line of credit and delayed draw term loan commitments and guaranties to our portfolio companies in the aggregate principal amount of $8.3 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 March 31, 2018. Dividend obligations on our mandatorily redeemable preferred stock assume quarterly declarations and monthly dividend payments through the date of mandatory redemption of each series.

Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters if they arise would materially affect our business, financial condition, results of operations or cash flows, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

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. Additionally, refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* included elsewhere in this prospectus 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.

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

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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 a 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 March 31, 2018 and 2017:

	As of March 31,	
Rating	**2018**	**2017**
Highest	**10.0**	10.0
Average	**6.4**	6.1
Weighted Average	**6.5**	6.5
Lowest	**4.0**	3.0

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 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 March 31, 2018 and 2017, respectively.

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 for a description of recent accounting pronouncements.

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Quantitative and Qualitative Disclosures About Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The prices of securities held by us may decline in response to certain events, including those directly involving the companies whose securities are owned by us; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and interest rate fluctuations.

The primary risk we believe we are exposed to is interest rate risk. Because we borrow money to make investments, our net investment income is dependent upon the difference between the rates at which we borrow funds, such as under the Credit Facility (which is variable) and our mandatorily redeemable preferred stock (which are fixed), and the rates at which we invest those funds. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. We use a combination of debt and equity capital to finance our investing activities. We may use interest rate risk management techniques to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

We target to have approximately 10% of the loans in our portfolio at fixed rates, with approximately 90% at variable rates or variables rates with a floor mechanism. As of March 31, 2018, all of our variable-rate loans have rates associated with the current 30-day LIBOR rate and our total debt investment portfolio consisted of the following breakdown based on the principal balance:

97.0%	Variable rates with a floor
3.0	Fixed rates
100.0%	**Total**

Advances under the Credit Facility generally bear interest at 30-day LIBOR, plus 3.15% per annum, and the Credit Facility includes an unused 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%. Once the revolving period ends, the interest rate margin increases to 3.40% for the period from November 15, 2019 to November 15, 2020, and further increases to 3.65% through maturity.

To illustrate the potential impact of changes in interest rates, we have performed the following hypothetical analysis, which assumes that our balance sheet and interest rates remain constant as of March 31, 2018 and no further actions are taken to alter our existing interest rate sensitivity.

Basis Point Change[(A)]	**Increase (Decrease) in Interest Income**	**Increase (Decrease) in Interest Expense**	**Net Increase (Decrease) in Net Assets Resulting from Operations**
Up 300 basis points	$ 11,059	$ 3,257	$ 7,802
Up 200 basis points	6,974	2,171	4,803
Up 100 basis points	3,174	1,086	2,088

Down 100 basis points	(795)	(217)	(578)
Down 188 basis points	(795)	(2,044)	1,249

(A) As of March 31, 2018, our effective average LIBOR was 1.88%, therefore the largest decrease in basis points that could occur was 188 basis points.

Although management believes that this analysis is indicative of our existing interest rate sensitivity, it does not adjust for potential changes in credit quality, size and composition of our loan portfolio on the balance sheet and other business developments that could affect net increase (decrease) in net assets resulting from operations. Accordingly, actual results could differ significantly from those in the hypothetical analysis in the table above.

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We may also experience risk associated with investing in securities of companies with foreign operations. Some of our portfolio companies have operations located outside the U.S. These risks include, but are not limited to, fluctuations in foreign currency exchange rates, imposition of foreign taxes, changes in exportation regulations and political and social instability.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2017 annual stockholders meeting, 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 during a period beginning on August 24, 2017 and expiring on the first anniversary of such date (the Stockholder Approval). We intend to seek a similar approval at our 2018 annual meeting of stockholders in August 2018. To sell shares of common stock at a price below NAV per share pursuant to the Stockholder Approval, the 1940 Act mandates that a majority of our directors who have no financial interest in the sale and a majority of our independent directors must have determined (i) that such sale and issuance 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 underwriting commissions or discounts.

In addition to the mandates of the 1940 Act pertaining to issuances and sales of common stock at a price below NAV per share, our Stockholder Approval requires that any offering of common stock at a price below NAV per share satisfy the following the total number of shares issued and sold pursuant to such Stockholder Approval may not exceed 25% of our currently outstanding common stock immediately prior to each such sale.

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, but not limited to:

- the effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;
- the amount per share by which the offering price per share and the net proceeds per share are less than our most recently determined NAV per share;
- the relationship of recent market prices of our 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 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 ultimately earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at a premium to NAV per share.

We will not sell shares of our common stock under this prospectus or an accompanying prospectus supplement pursuant to the Stockholder Approval without first filing a post-effective amendment to the registration statement if the cumulative dilution to the Company s NAV per share from offerings under the registration statement exceeds 15%. This would be measured separately for each offering pursuant to the registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV per share at the time of the first offering is $10.00 and we have 140 million shares outstanding, the sale of 35 million shares at net proceeds to us (after discounts, commissions and offering expenses) of $5.00 per share (a 50% discount) would produce dilution of 10%. If we subsequently determined that our NAV per share increased to $11.00 on the then 175 million shares outstanding and then made an additional offering, we could, for example, sell approximately an additional 43.75 million shares at net proceeds to us (after discounts, commissions and offering expenses) of $8.25 per share, which would produce dilution of 5%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

Sales by us of our common stock at a discount from NAV per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering. Any sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders who do not participate in such sale on at least a pro-rata basis. See *Risk Factors Risks Related to an Investment in Our Securities* in this prospectus.

The following three headings and accompanying tables explain and provide hypothetical examples on the impact of an offering of our common stock at a price less than NAV per share on three different types of investors:

- existing stockholders who do not purchase any shares in the offering;
- existing stockholders who purchase a relative small amount of shares in the offering or a relatively large amount of shares in the offering; and
- new investors who become stockholders by purchasing shares in the offering.

Impact on Existing Stockholders Who Do Not Participate in an Offering

Our existing common stockholders who do not participate in an offering below NAV per common share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after discounts, commissions and offering costs) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. 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 will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increase. Further, if current common stockholders do not purchase sufficient shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV, their voting power will be diluted.

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating common stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

The examples assume that we have 1,000,000 common shares outstanding, $15,000,000 in total assets and $5,000,000 in total liabilities. The current NAV and NAV per share are thus $10,000,000 and $10.00, respectively. The table illustrates the dilutive effect on a nonparticipating common stockholder of (1) an offering of 50,000 shares (5% of the outstanding shares) at $9.50 per share after offering expenses and commission (a 5% discount from NAV), (2) an offering of 100,000 shares (10% of the outstanding shares) at $9.00 per share after offering expenses and commissions (a 10% discount from NAV) and (3) an offering of 250,000 shares (25% of the outstanding shares) at $7.50 per share after offering expenses and commissions (a 25% discount from NAV).

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The prospectus or related prospectus supplement pursuant to which any discounted offering is made will include a chart based on the actual number of shares of common stock in such offering and the actual discount to the most recently determined NAV.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount Following Sale	Example 1 % Change	Example 2 10% Offering at 10% Discount Following Sale	Example 2 % Change	Example 3 25% Offering at 25% Discount Following Sale	Example 3 % Change
Offering Price							
Price per Common Share to Public		$ 10.00		$ 9.47		$ 7.90	
Net Proceeds per Common Share to Us		$ 9.50		$ 9.00		$ 7.50	
Decrease to NAV							
Total Common Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.50	5.00%
Dilution to Stockholder							
Common Shares Held by Stockholder	10,000	10,000		10,000		10,000	
Percentage Held by Common Stockholder	1.0%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(16.67)%
Total Asset Values							
Total NAV Held by Common Stockholder	$ 100,000	$ 99,800	(0.20)%	$ 99,100	(0.90)%	$ 95,000	(5.00)%
Total Investment by Common Stockholder (Assumed to be $10.00 per Common Share)	$ 100,000	$ 100,000		$ 100,000		$ 100,000	
Total Dilution to Common Stockholder (Total NAV Less Total Investment)		$ (200)		$ (900)		$ 5,000	
Per Share Amounts							
NAV Per Share Held by Common Stockholder		$ 9.98		$ 9.91		$ 9.50	
Investment per Share Held by Common Stockholder (Assumed to be	$ 10.00	$ 10.00		$ 10.00		$ 10.00	

$10.00 per Common Share on Common Shares Held prior to Sale)			
Dilution per Common Share Held by Stockholder (NAV per Common Share Less Investment per Share)	$ (0.02)	$ (0.09)	$ (0.50)
Percentage Dilution to Common Stockholder (Dilution per Common Share Divided by Investment per Common Share)	(0.20)%	(0.90)%	(5.00)%

Impact on Existing Stockholders Who Do Participate in an Offering

Our existing common stockholders who participate in an offering below NAV per common share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after discounts, commissions and offering costs) will experience the same types of NAV dilution as the nonparticipating common stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our common shares immediately prior to the offering. The level of NAV dilution will decrease as the number of common shares such stockholders purchase increases. Existing common stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing common stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per common share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such common stockholder purchases increases. Even a common stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such common stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

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The following chart illustrates the level of dilution and accretion in the hypothetical 25% discount offering from the prior chart for a common stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,250 shares, which is 0.50% of the offering 250,000 common shares rather than its 1% proportionate share) and (2) 150% of such percentage (i.e., 3,750 shares, which is 1.50% of an offering of 250,000 common shares rather than its 1% proportionate share). The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of shares in such offering and the actual discount from the most recently determined NAV per common share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation		150% Participation	
		Following Sale	% Change	Following Sale	% Change
Offering Price					
Price per Common Share to Public		$ 7.90		$ 7.90	
Net Proceeds per Common Share to Us		$ 7.50		$ 7.50	
Increases in Shares and Decrease to NAV					
Total Common Shares Outstanding	1,000,000	1,250,000	25.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.50	5.00%	$ 9.50	5.00%
Dilution/Accretion to Common Stockholder					
Common Shares Held by Stockholder	10,000	11,250	12.50%	13,750	37.50%
Percentage Held by Common Stockholder	1.0%	0.90%	10.00%	1.10%	10.00%
Total Asset Values					
Total NAV Held by Common Stockholder	$ 100,000	$ 106,875	6.88%	$ 130,625	30.63%
Total Investment by Common Stockholder (Assumed to be $10.00 per Common Share on Common Shares Held prior to Sale)	$ 100,000	$ 109,875		$ 129,625	
Total Dilution/Accretion to Common Stockholder (Total NAV Less Total Investment)		3,000		$ 1,000	
Per Common Share Amounts					
NAV Per Common Share Held by Stockholder		$ 9.50		$ 9.50	
Investment per Common Share Held by Stockholder (Assumed to be $10.00 per Common Share on Common Shares Held prior to Sale)	$ 10.00	$ 9.77	2.33%	$ 9.43	5.73%
Dilution/Accretion per Common Share Held by Stockholder (NAV per Common Share Less Investment per Common Share)		$ 0.27		$ 0.07	

Percentage Dilution/Accretion to Stockholder (Dilution/Accretion per Common Share Divided by Investment per Common Share)	2.73%	0.77%

Impact on New Investors

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per common share is greater than the resulting NAV per share (due to discounts, commissions and offering costs paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares of common stock. Investors who are not currently stockholders and who participate in an offering below NAV per common share and whose investment per common share is also less than the resulting NAV per common share due to discounts, commissions and offering expenses paid by us being significantly less than the discount per common share will experience an

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immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares of common stock. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new common stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same 5%, 10% and 25% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1%) of the common shares in the offering as the common stockholder in the prior examples held immediately prior to the offering, The prospectus supplement pursuant to which any discounted offering is made will include a chart for this example based on the actual number of common shares in such offering and the actual discount from the most recently determined NAV per common share. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 25% Discount	
		Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Common Share to Public		$ 10.00		$ 9.47		$ 7.90	
Net Proceeds per Common Share to Us		$ 9.50		$ 9.00		$ 7.50	
Decrease to NAV							
Total Common Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,250,000	25.00%
NAV per Common Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.50	5.00%
Dilution/Accretion to Common Stockholder							
Common Shares Held by Stockholder		500		1,000		2,500	
Percentage Held by Common Stockholder	0.0%	0.05%		0.09%		0.20%	
Total Asset Values							
Total NAV Held by Common Stockholder		$ 4,990		$ 9,910		$ 23,750	
Total Investment by Common Stockholder		$ 5,000		$ 9,470		$ 19,750	
Total Dilution/Accretion to Common Stockholder		$ (10)		$ 440		$ 4,000	

(Total NAV Less Total Investment)			
Per Common Share Amounts			
NAV Per Common Share Held by Common Stockholder	$ 9.98	$ 9.91	$ 9.50
Investment per Share Held by Common Stockholder	$ 10.00	$ 9.47	$ 7.90
Dilution/Accretion per Common Share Held by Common Stockholder (NAV per Common Share Less Investment per Common Share)	$ (0.02)	$ 0.44	$ 1.60
Percentage Dilution/Accretion to Common Stockholder (Dilution/Accretion per Common Share Divided by Investment per Common Share)	(0.20)%	4.65%	20.25%

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SENIOR SECURITIES

Information about our senior securities is shown in the following table as of the end of our last ten fiscal years, unless otherwise noted. The annual information has been derived from our audited financial statements for each respective period, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. PricewaterhouseCoopers LLP s report on the senior securities table as of March 31, 2018 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage Per Unit[2]	Involuntary Liquidating Preference Per Unit[3]	Average Market Value Per Unit[4]
7.125% Series A Cumulative Term Preferred Stock[5]				
March 31, 2018		N/A		N/A
March 31, 2017		N/A		N/A
March 31, 2016	$ 40,000,000	$ 2,214	$ 25.00	$ 25.60
March 31, 2015	40,000,000	2,301	25.00	25.78
March 31, 2014	40,000,000	2,978	25.00	26.53
March 31, 2013	40,000,000	2,725	25.00	26.92
March 31, 2012	40,000,000	2,676	25.00	24.97
6.75% Series B Cumulative Term Preferred Stock[6]				
March 31, 2018	$ 41,400,000	$ 2,373	$ 25.00	$ 25.20
March 31, 2017	41,400,000	2,356	25.00	26.00
March 31, 2016	41,400,000	2,214	25.00	24.43
March 31, 2015	41,400,000	2,301	25.00	25.38
6.50% Series C Cumulative Term Preferred Stock due 2022[7]				
March 31, 2018	$ 40,250,000	$ 2,373	$ 25.00	$ 25.33
March 31, 2017	40,250,000	2,356	25.00	25.64
March 31, 2016	40,250,000	2,214	25.00	23.92
6.25% Series D Cumulative Term Preferred Stock due 2023[8]				
March 31, 2018	$ 57,500,000	$ 2,373	$ 25.00	$ 25.22
March 31, 2017	57,500,000	2,356	25.00	25.43
Revolving credit facilities				
March 31, 2018	$ 107,000,000	$ 5,257		N/A
March 31, 2017	69,700,000	6,613		N/A
March 31, 2016	95,000,000	4,838		N/A
March 31, 2015	118,800,000	2,301		N/A
March 31, 2014	61,250,000	2,978		N/A
March 31, 2013	31,000,000	2,725		N/A
March 31, 2012		N/A		N/A

March 31, 2011		N/A	N/A
March 31, 2010	27,800,000	2,814	N/A
March 31, 2009	110,265,000	2,930	N/A
Short-term loan			
March 31, 2018		N/A	N/A
March 31, 2017		N/A	N/A
March 31, 2016		N/A	N/A
March 31, 2015		N/A	N/A
March 31, 2014		N/A	N/A

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Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage Per Unit[2]	Involuntary Liquidating Preference Per Unit[3]	Average Market Value Per Unit[4]
March 31, 2013	$ 58,016,000	$ 2,725		N/A
March 31, 2012	76,005,000	2,676		N/A
March 31, 2011	40,000,000	5,344		N/A
March 31, 2010	75,000,000	2,814		N/A
Secured borrowings[9]				
March 31, 2018	$ 5,095,785	$ 5,257		N/A
March 31, 2017	5,095,785	6,613		N/A
March 31, 2016	5,095,785	4,838		N/A
March 31, 2015	5,095,785	2,301		N/A
March 31, 2014	5,000,000	2,978		N/A
March 31, 2013	5,000,000	2,725		N/A

(1) Total amount of each class of senior securities outstanding as of the dates presented.
(2) Asset coverage is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness (including interest payable and guarantees). Asset coverage per unit is the asset coverage ratio expressed in terms of dollar amounts per one thousand dollars of indebtedness.
(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
(4) Only applicable to our Term Preferred Stock because the other senior securities are not registered for public trading. Average market value per unit is the average of the closing price of the shares on Nasdaq during the last 10 trading days of the period.
(5) Our Series A Term Preferred Stock was issued in March 2012 and redeemed in September 2016.
(6) Our Series B Term Preferred Stock was issued in November 2014.
(7) Our Series C Term Preferred Stock was issued in May 2015.
(8) Our Series D Term Preferred Stock was issued in September 2016.
(9) 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. Accounting Standards Codification 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 *Consolidated Statements of Assets and Liabilities* included elsewhere in this prospectus reflect 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.

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BUSINESS

Organization

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. In order 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.

Investment Adviser and Administrator

We are externally managed by the Adviser an affiliate of ours, under the Advisory Agreement and another of our affiliates, the Administrator, provides administrative services to us pursuant to 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 serve 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 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 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 is organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Advisers Act. 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 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 March 31, 2018, our investment portfolio was made up of 73.8% in debt securities and 26.2% in equity securities, at cost.

We focus on investing in lower middle market private businesses (which we generally define as private companies with annual 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

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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, acquisition, or recapitalization 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, as applicable, 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.

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 LIBOR) and, to a lesser extent, at fixed rates. As of March 31, 2018, our loan portfolio consisted of 97.0% variable rate loans with floors and 3.0% 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 interest. As of March 31, 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 March 31, 2018, we have made investments in 47 companies, excluding investments in syndicated loans.

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

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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 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* 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. See *Regulation as a Business Development Company* for a further discussion on the regulatory framework in which we must operate to retain our status as a BDC.

Investment Policies

We seek to achieve a high level of current income and capital gains through investments in secured debt securities and preferred and common stock that we generally acquire in connection with buyouts and other recapitalizations. The following investment policies, along with the investment objectives, may not be changed without the approval of our board of directors (our Board of Directors), a majority of whom are not interested persons as defined in Section 2(a)(19) of the 1940 Act:

We will at all times conduct our business so as to retain our status as a BDC. In order to retain that status, we must be operated for the purpose of investing in certain categories of qualifying assets. In addition, we may not acquire any assets (other than non-investment assets necessary and appropriate to our operations as a BDC or qualifying assets) if, after giving effect to such acquisition, the value of our qualifying assets is less than 70% of the value of our total assets. We anticipate that the securities we seek to acquire will generally be qualifying assets.

We will at all times endeavor to conduct our business so as to retain our status as a RIC under the Code. To do so, we must meet income source, asset diversification and annual distribution requirements. We may issue senior securities, such as debt or preferred stock, to the extent permitted by the 1940 Act for the purpose of making investments, to fund share repurchases, or for temporary emergency or other purposes.

Investment Concentrations

As of March 31, 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 $599.1 million. Our investments in Cambridge, Nth Degree, JR Hobbs, Brunswick and ImageWorks represented our five largest portfolio

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investments at fair value and collectively comprised $183.4 million, or 30.5%, of our total investment portfolio at fair value. The following table summarizes our investments by security type as of March 31, 2018 and 2017:

	March 31, 2018				March 31, 2017			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	**$ 321,303**	**54.9%**	**$ 305,856**	**51.0%**	$ 284,823	54.3%	$ 268,150	53.5%
Secured second lien debt	**110,484**	**18.9**	**97,339**	**16.2**	93,078	17.7	95,040	18.9
Total debt	**431,787**	**73.8**	**403,195**	**67.2**	377,901	72.0	363,190	72.4
Preferred equity	**150,708**	**25.8**	**167,150**	**28.0**	140,791	26.8	113,515	22.6
Common equity/equivalents	**2,351**	**0.4**	**28,802**	**4.8**	6,477	1.2	24,874	5.0
Total equity/equivalents	**153,059**	**26.2**	**195,952**	**32.8**	147,268	28.0	138,389	27.6
Total investments	**$ 584,846**	**100.0%**	**$ 599,147**	**100.0%**	$ 525,169	100.0%	$ 501,579	100.0%

Our investments at fair value consisted of the following industry classifications as of March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Diversified/Conglomerate Services	**$ 136,719**	**22.8%**	$ 85,248	17.0%
Home and Office Furnishings, Housewares, and Durable Consumer Products	**128,529**	**21.5**	93,062	18.6
Chemicals, Plastics, and Rubber	**55,740**	**9.3**	65,156	13.0
Leisure, Amusement, Motion Pictures, Entertainment	**43,048**	**7.2**	32,453	6.5
Personal and Non-Durable Consumer Products (Manufacturing Only)	**42,836**	**7.1**	19,011	3.8
Diversified/Conglomerate Manufacturing	**29,942**	**5.0**	40,303	8.0
Machinery (Non-agriculture, Non-construction, Non-electronic)	**21,915**	**3.7**	17,283	3.4
Farming and Agriculture	**21,483**	**3.6**	19,096	3.8
Containers, Packaging, and Glass	**21,387**	**3.6**	18,266	3.6
Textiles and Leather	**19,407**	**3.2**	20,369	4.1
Cargo Transport	**15,816**	**2.6**	15,891	3.2
Telecommunications	**14,000**	**2.3**	14,000	2.8
Automobile	**13,830**	**2.3**	20,792	4.1
Aerospace and Defense	**12,457**	**2.1**	16,042	3.2
Beverage, Food, and Tobacco	**11,605**	**1.9**	14,802	3.0
Other < 2.0%	**10,433**	**1.8**	9,805	1.9
Total investments	**$ 599,147**	**100.0%**	$ 501,579	100.0%

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Our investments at fair value were included in the following U.S. geographic regions as of March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
South	**$ 221,725**	**37.0%**	$ 175,136	34.9%
Northeast	**188,911**	**31.5**	159,614	31.8
West	**133,774**	**22.3**	123,475	24.6
Midwest	**54,737**	**9.2**	43,354	8.7
Total investments	**$ 599,147**	**100.0%**	$ 501,579	100.0%

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

Investment Process

Overview of Investment and Approval Process

To originate investments, the Adviser s investment professionals use an extensive referral network comprised primarily of private equity sponsors, venture capitalists, leveraged buyout funds, investment bankers, attorneys, accountants, commercial bankers and business brokers. The Adviser s investment professionals review information received from these and other sources in search of potential financing opportunities. If a potential opportunity matches our investment objectives, the investment professionals will seek an initial screening of the opportunity with our president, David Dullum, to authorize the submission of an indication of interest (IOI) to the prospective portfolio company. If the prospective portfolio company passes this initial screening and the IOI is accepted by the prospective company, the investment professionals will seek approval to issue a letter of intent (LOI) from the Adviser s investment committee, which is composed of Messrs. Gladstone, Brubaker, and Dullum, to the prospective company. If this LOI is issued, then the Adviser and Gladstone Securities (collectively, the Due Diligence Team) will conduct a due diligence investigation and create a detailed profile summarizing the prospective portfolio company s historical financial statements, industry, competitive position and management team and analyzing its conformity to our general investment criteria. The investment professionals then present this profile to the Adviser s investment committee, which must approve each investment. Further, each investment is available for review by the members of our Board of Directors, a majority of whom are not interested persons as defined in Section 2(a)(19) of the 1940 Act, and our Board of Directors reviews and approves any investments we may make pursuant to the Co-Investment Order.

Prospective Portfolio Company Characteristics

We have identified certain characteristics that we believe are important in identifying and investing in prospective portfolio companies. The criteria listed below provide general guidelines for our investment decisions, although not all of these criteria may be met by each portfolio company.

Experienced Management: We typically require that the companies in which we invest have experienced management teams or a hiring plan in place to install an experienced management team. We also require the companies to have in place proper incentives to induce management to succeed and act in concert with our interests as investors, including having significant equity or other interests in the financial performance of their companies.

Value and Income Orientation and Positive Cash Flow: Our investment philosophy places a premium on fundamental analysis from an investor s perspective and has a distinct value and income orientation. In seeking value, we focus on established companies in which we can invest at relatively low multiples of EBITDA, and that have positive operating cash flow at the time of investment. In seeking income, we typically invest in companies that generate relatively stable to growing sales, cash flows, and EBITDA to fixed charges coverage, which provides some assurance that the companies will be able to service their debt. We do not expect to invest in start-up companies or companies with what we believe to be speculative business plans.

Strong Competitive Position in an Industry: We seek to invest in companies that have developed strong market positions and significant relative market share within their respective markets and that we believe are well-positioned to capitalize on growth opportunities. We seek companies that demonstrate significant competitive advantages versus their competitors, which we believe will help to protect their market positions and profitability.

Liquidation Value of Assets: The projected liquidation value of the assets, if any, is an important factor in our investment analysis in collateralizing our debt securities.

Extensive Due Diligence

The Due Diligence Team conducts what we believe are extensive due diligence investigations of our prospective portfolio companies and investment opportunities. The due diligence investigation may begin with a review of publicly available information followed by in-depth business analysis, including, but not limited to, some or all of the following:

A review of the prospective portfolio company s historical and projected financial information, including a quality of earnings analysis;

Visits to the prospective portfolio company s business site(s) and evaluation of potential environmental issues;

Interviews with the prospective portfolio company s management, employees, customers and vendors;

Review of loan documents and material contracts;

Background checks and a management capabilities assessment on the prospective portfolio company s management team; and

Research, including market analyses, on the prospective portfolio company s products, services or particular industry and its competitive position therein.

Additional due diligence of a potential investment may be conducted on our behalf by attorneys and independent accountants, as well as other outside advisers, prior to the closing of the investment, as appropriate.

Investment Structure

Once the Adviser has determined that an investment meets our standards and investment criteria, the Adviser works with the management of that company and other capital providers to structure the transaction in a way that we believe will provide us with the greatest opportunity to maximize our return on the investment, while providing appropriate incentives to management of the company. As discussed above, the capital classes through which we typically structure a deal include first lien secured debt, second lien secured debt, and preferred and common equity or equivalents. Through its risk management process, the Adviser seeks to limit the downside risk of our investments by:

Making investments with an expected total return (including interest, yield enhancements and potential equity appreciation) that it believes compensates us for the credit risk of the investment;

Seeking collateral or superior positions in the portfolio company s capital structure where possible;

Incorporating put and call protection rights into the investment structure where possible;

Negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility as possible in managing their businesses, while also preserving our capital; and

Holding board seats or securing board observation rights at the portfolio company.

We expect to hold most of our debt investments until maturity or repayment. From time to time, we may sell our investments (including our equity investments) earlier if a liquidity event takes place, such as a recapitalization of a portfolio company, an initial public offering, or a sale to a third party, including strategic buyers, private equity funds, or existing investors in the portfolio company, and which may be privately negotiated transactions.

Competitive Advantages

A large number of entities compete with us and make the types of investments that we seek to make in Lower Middle Market companies. Such competitors include private equity funds, leveraged buyout funds, other BDCs, investment banks and other equity and non-equity based investment funds, and other financing sources, including traditional financial services companies such as commercial banks. Many of our competitors are substantially larger than we are and have considerably greater funding sources or are able to access capital more cost effectively. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments, and establish a larger portfolio of investments. Furthermore, many of these competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. However, we believe that we have the following competitive advantages over many other providers of financing to Lower Middle Market companies.

Management Expertise

Our Adviser has an investment committee for each of the Company and the Affiliated Public Funds. Messrs. Gladstone and Brubaker serve as members of the Adviser s investment committees for each of the Company and each of the Affiliated Public Funds. Messrs. Gladstone and Dullum have extensive experience in investing in Lower Middle Market companies and with operating in the BDC marketplace in general. Mr. Brubaker has substantial experience in acquisitions and operations of companies. These three individuals, who are part of our executive management team and comprise the Adviser s investment committee for the Company, dedicate a significant portion of their time to managing our investment portfolio. They have extensive experience providing capital to Lower Middle Market companies and have worked together at the Gladstone family of companies for more than ten years. In addition, we have access to the resources and expertise of the Adviser s investment professionals and support staff who possess a broad range of transactional, financial, managerial, and investment skills.

Increased Access to Investment Opportunities Developed Through Extensive Research Capability and Network of Contacts

The Adviser seeks to identify potential investments through active origination and due diligence and through its dialogue with numerous management teams, members of the financial community and potential corporate partners with whom the Adviser s investment professionals have long-term relationships. We believe that the Adviser s investment professionals have developed a broad network of contacts within the investment, commercial banking, private equity and investment management communities, and that their reputation, experience, and focus on investing in Lower Middle Market companies enables us to source and identify well-positioned prospective portfolio companies, which provide attractive investment opportunities. Additionally, the Adviser expects to generate information from its professionals network of accountants, consultants, lawyers and management teams of portfolio companies and other companies to support the Adviser s investment activities.

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Disciplined, Value and Income-Oriented Investment Philosophy with a Focus on Preservation of Capital

In making its investment decisions, the Adviser focuses on the risk and reward profile of each prospective portfolio company, seeking to minimize the risk of capital loss without foregoing the potential for capital appreciation. We expect the Adviser to use the same value and income-oriented investment philosophy that its professionals use in the management of the other Affiliated Public Funds and to commit resources to manage downside exposure. The Adviser s approach seeks to reduce our risk in investments by using some or all of the following approaches:

- Focusing on companies with attractive and sustainable market positions and cash flow;
- Investing in companies with experienced and established management teams;
- Engaging in extensive due diligence from the perspective of a long-term investor;
- Investing at low price-to-cash flow multiples; and
- Adopting flexible transaction structures by drawing on the experience of the investment professionals of the Adviser and its affiliates.

Longer Investment Horizon

Unlike private equity and venture capital funds that are typically organized as finite-life partnerships, we are not subject to standard periodic capital return requirements. The partnership agreements of most private equity and venture capital funds typically provide that these funds may only invest investors capital once and must return all capital and realized gains to investors within a finite time period, often seven to ten years. These provisions often force private equity and venture capital funds to seek returns on their investments by causing their portfolio companies to pursue mergers, public equity offerings, or other liquidity events more quickly than might otherwise be optimal or desirable, potentially resulting in a lower overall return to investors and/or an adverse impact on their portfolio companies. In contrast, we are a corporation of perpetual duration and are exchange-traded. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles provides us with the opportunity to achieve greater long-term returns on invested capital.

Flexible Transaction Structuring

We believe the Adviser s and our management team s broad expertise and its ability to draw upon many years of combined experience enables the Adviser to identify, assess, and structure investments successfully across all levels of a prospective portfolio company s capital structure and manage potential risk and return at all stages of the economic cycle. We are not subject to many of the regulatory limitations that govern traditional lending institutions, such as banks. As a result, we are flexible in selecting and structuring investments, adjusting investment criteria and transaction structures and, in some cases, the types of securities in which we invest, thereby affording us a competitive advantage of providing both, equity and debt financing, which may limit uncertainty related to the close of the transaction and the risk of refinancing during periods of market yield compression. We believe that this approach enables the Adviser to develop a financing structure which best fits the investment and growth profile of the underlying company and yields attractive investment opportunities that will continue to generate current income and capital gain potential throughout the economic cycle, including during turbulent periods in the capital markets.

Ongoing Management of Investments and Portfolio Company Relationships

The Adviser s investment professionals actively oversee each investment by continuously evaluating the portfolio company s performance and typically working collaboratively with the portfolio company s management to identify and incorporate best resources and practices that help us achieve our projected investment performance.

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Monitoring

The Adviser s investment professionals monitor the financial performance, trends, and changing risks of each portfolio company on an ongoing basis to determine if each portfolio company is performing within expectations and to guide the portfolio company s management in taking the appropriate courses of action. The Adviser employs various methods of evaluating and monitoring the performance of our investments in portfolio companies, which can include the following:

- Monthly analysis of financial and operating performance;
- Frequent assessment of the portfolio company s performance against its business plan and our investment expectations;
- Attendance at and/or participation in the portfolio company s board of directors or management meetings;
- Continuous assessment of portfolio company management, governance and strategic direction;
- Continuous assessment of the portfolio company s industry and competitive environment; and
- Frequent review and assessment of the portfolio company s operating outlook and financial projections.

Relationship Management

The Adviser s investment professionals interact with various parties involved with a portfolio company, or investment, by actively engaging with internal and external constituents, including:

- Management;
- Boards of directors;
- Financial sponsors;
- Capital partners;
- Auditors; and

Advisers and consultants.

Managerial Assistance and Services

As a BDC, we make available significant managerial assistance, as defined in the 1940 Act, to our portfolio companies and provide other services (other than such managerial assistance) to such portfolio companies. Neither we, nor the Adviser, currently receive fees in connection with the managerial assistance we make available. At times, 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) a 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, as discussed below in *Transactions with Related Parties Investment Advisory and Management Agreement Base Management Fee;* 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, primarily for the valuation of portfolio companies.

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Gladstone Securities also provides other services (such as investment banking and due diligence services) to certain of our portfolio companies, see *Transactions with Related Parties Other Transactions* below.

Valuation Process

The following is a general description of our Policy (which has been approved by our Board of Directors) that the Valuation Team of the Adviser and Administrator usea each quarter to determine the fair value of our investment portfolio. 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 the Policy. The Adviser values our investments in accordance with the requirements of the 1940 Act and GAAP. 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. Each quarter, our Board of Directors reviews the Policy to determine if changes thereto are advisable and assesses whether the Valuation Team has applied the Policy consistently. With respect to the valuation of our investment portfolio, the Valuation Team performs the following steps each quarter:

- Each investment is initially assessed by the Valuation Team using the Policy, which may include:
  - Obtaining fair value quotes or utilizing valuation inputs from third party valuation firms; and
  - Using techniques, such as total enterprise value, yield analysis, market quotes and other factors, including but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates.
- Preliminary valuation conclusions are then discussed amongst the Valuation Team and with our management and documented for review by our Board of Directors. Written valuation recommendations and supporting material are sent to the Board of Directors in advance of the quarterly meetings.
- The Valuation Committee of the Board of Directors (comprised entirely of independent directors) meets to review this documentation and discusses the information provided by our Valuation Team, and determines whether the Valuation Team has followed the Policy, determines whether the Valuation Team s recommended fair value is reasonable in light of the Policy and reviews other facts and circumstances. Then, the Valuation Committee and 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, with a vote, to accept or reject the fair value recommendations in accordance with the Policy.

Fair value measurements of our investments may involve subjective judgment and estimates. Due to the uncertainty inherent in valuing these securities, the Valuation Team s 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 Valuation Team s determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities.

Transactions with Related Parties

Investment Advisory and Management Agreement

Pursuant to our Advisory Agreement, we pay the Adviser certain fees as compensation for its services, consisting of a base management fee and an incentive fee, each as described below. On July 11, 2017, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of either party, approved the annual renewal of the Advisory Agreement through August 31, 2018. Our Board of Directors considered the following factors as the basis for its decision to renew the Advisory

Agreement: (1) the nature, extent and quality of services provided by the Adviser to our stockholders; (2) the investment performance of the Company and the Adviser, (3) the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Company, (4) the extent to which economies of scale will be realized as the Company and the Affiliated Public Funds grow and whether the fee level under the Advisory Agreement reflects the economies of scale for the Company s investors, (5) the fee structure of the advisory and administrative agreements of comparable funds, and (6) indirect profits to the Adviser created through the Company and (7) in light of the foregoing considerations, the overall fairness of the advisory fee paid under 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, as stated above, 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) a 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, primarily for the valuation of portfolio companies. Loan servicing fees that are payable to the Adviser pursuant to our Credit Facility, are also 100% credited against the base management fee as discussed below *Loan Servicing Fee Pursuant to Credit Facility.*

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).

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Quarterly Incentive Fee Based on Net Investment Income

Pre-incentive fee net investment income

(expressed as a percentage of the value of net assets)

Percentage of pre-incentive fee net investment income

allocated to income-related portion of incentive fee

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 March 31, 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. As of and for the year ended March 31, 2018, we recorded a capital gains-based incentive fee of $4.4 million; however, such amount is not contractually due under the terms of the Advisory Agreement. There has been no GAAP accrual of a capital gains-based incentive fee for any year prior to March 31, 2018.

Our Board of Directors may accept non-contractual, unconditional, and irrevocable credits from the Adviser to reduce the income-based incentive fee to the extent net investment income generated in the current or prior year does not cover 100% of the distributions to common stockholders for a year. For the years ended March 31, 2018, 2017 and 2016, there were no such incentive fee credits from the Adviser.

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Loan Servicing Fee Pursuant to Credit Facility

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 the 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.

Administration Agreement

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, general counsel and secretary (who also serves as the Administrator s president), and their respective staffs.

Our allocable portion of the Administrator s expenses is generally derived by multiplying the Administrator s total expenses by the approximate percentage of time during the current quarter that 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 11, 2017, 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, 2018.

Other Transactions

Mr. Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation. Gladstone Securities is 100% indirectly owned and controlled by Mr. Gladstone and 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. Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

Staffing

We do not currently have any employees and do not expect to have any employees in the foreseeable future. Currently, services necessary for our business are provided by individuals who are employees of the Adviser and the Administrator pursuant to the terms of the Advisory Agreement and the Administration Agreement, respectively. No employee of the Adviser or the Administrator will dedicate all of his or her time to us. However, we expect that 20 to 25 full-time employees of the Adviser and the Administrator will spend substantial time on our matters during the remainder of calendar year 2018 and all of calendar year 2019. To the extent we acquire more investments, we anticipate that the number of employees of the Adviser and the Administrator who devote time to our matters will increase.

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As of June 1, 2018, the Adviser and Administrator collectively had 66 full-time employees. A breakdown of these employees is summarized by functional area in the table below:

Number of Individuals	**Functional Area**
12	Executive management
18	Accounting, administration, compliance, human resources, legal, and treasury
36	Investment management, portfolio management, and due diligence

Properties

We do not own any real estate or other physical properties material to our operations. The Adviser is the current leaseholder of all properties in which we operate. We occupy these premises pursuant to our Advisory and Administration Agreements with the Adviser and Administrator, respectively. The Adviser and Administrator are both headquartered in McLean, Virginia, a suburb of Washington, D.C., and the Adviser also has offices in other states.

Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. See *Risk Factors Risk Related to Our Investments Portfolio company-related litigation could result in costs, including defense costs or damages, and the diversion of management time and resources.* While we do not expect that the resolution of these matters, if they arise, would materially affect the ability of our Adviser to perform under the Advisory Agreement or our business, financial condition, results of operations or cash flows, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

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PORTFOLIO COMPANIES

The following table sets forth certain information as of March 31, 2018, regarding each portfolio company in which we had a debt or equity security as of such date. All such investments have been made in accordance with our investment objectives and strategies and our investment policies and procedures described in this prospectus. Under 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) was considered a non-qualifying asset under Section 55 of the 1940 Act and represented less than 0.1% of total investments, at fair value. As of March 31, 2017, our investment in AquaVenture was considered a non-qualifying asset under Section 55 of the 1940 Act and represented 0.7% of total investments, at fair value.

Company	Industry	Investment	Percentage of Class Held on a Fully Diluted Basis	Cost	Fair Value
				(Dollar amounts in thousands) (unaudited)	
NON-CONTROL/NON-AFFILIATE INVESTMENTS:					
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit		$ 4,550	$ 3,882
4300 Papermill Drive		Secured First Lien Term Debt		6,443	
Knoxville, TN 37909		Secured First Lien Term Debt		840	
		Preferred Stock	100.0%	2,516	
		Common Stock	60.4%	300	
				14,649	3,882
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Term Debt		18,000	18,000
460 West 34th Street, Fourth Floor		Secured First Lien Term Debt		5,500	5,500
New York, NY 10001		Preferred Stock	87.8%	6,995	6,303
				30,495	29,803
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt		4,000	4,000
2D Express Drive		Preferred Stock	56.0%	7,725	1,010
W. Wareham, MA 02571		Guaranty			
				11,725	5,010
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt		12,916	13,000
			100.0%	500	2,816

333 N. Sam Houston Parkway E. Suite 100		Common Stock Warrants			
Houston, TX 77060				13,416	15,816
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt		9,913	9,987
1093 Highway 278 East		Preferred Stock	63.2%	3,375	3,375
Moticello, AR 71655		Common Stock	53.7%	63	14,744
				13,351	28,106
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt		9,500	9,500
1201 Andover Park East, Suite 101		Preferred Stock	67.8%	1,373	1,428
Tukwila, WA 98188		Common Stock	57.6%	152	10,459
				11,025	21,387
Funko Acquisition Holdings, LLC	Personal and Non-Durable Consumer Products (Manufacturing Only)	Common Stock	0.01%	167	194
1202 Shuksan Way				167	194
Everett, WA 98203					

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Company	Industry	Investment	Percentage of Class Held on a Fully Diluted Basis	Cost	Fair Value
				(Dollar amounts in thousands) (unaudited)	
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt		13,300	13,300
2078 Center Square Rd		Preferred Stock	94.9%	9,583	12,555
Swedesboro, NJ 08085		Common Stock	78.5%	8	
				22,891	25,855
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt		11,000	11,000
471 Industrial Ave.		Preferred Stock	79.8%	3,556	2,518
Rippon, CA 95366		Common Stock	55.4%	94	
				14,650	13,518
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt		13,290	13,290
2675 Breckinridge Blvd., Suite 200		Preferred Stock	49.0%	5,660	26,424
Duluth, GA 30096				18,950	39,714
SBS Industries, LLC	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Secured First Lien Line of Credit			
1843 N. 106 th E. Ave		Secured First Lien Term Debt		19,957	19,957
Tulsa, OK 74116		Preferred Stock	94.9%	2,771	1,958
		Common Stock	70.5%	222	
				22,950	21,915
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt		13,081	13,081
21 High Street, Suite 400		Secured First Lien Term Debt		8,500	8,500
North Andover, MA 01845		Secured First Lien Term Debt		6,000	6,000
		Preferred Stock	72.7%	4,000	
				31,581	27,581
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt		5,000	5,000

101 N Industrial Ave		Preferred Stock	65.2%	1,499	2,376
Osborne, KS 67473		Common Stock	54.7%	1	589
				6,500	7,965
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit		3,216	3,216
176 Eastpark Dr.		Preferred Stock	97.8%	3,768	3,335
Roanoke, VA 24019		Common Stock	88.6%	753	
				7,737	6,551
Total Non-Control/Non-Affiliate Investments (represents 41.3% of total investments at fair value)				**$ 220,087**	**$ 247,297**

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Company	Industry	Investment	Percentage of Class Held on a Fully Diluted Basis	Cost	Fair Value
				(Dollar amounts in thousands) (unaudited)	
AFFILIATE INVESTMENTS:					
Alloy Die Casting Corp.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt		$ 12,215	$ 9,161
6550 Caballero Blvd		Secured Second Lien Term Debt		175	131
Buena Park, CA 90620		Secured Second Lien Term Debt		910	687
		Preferred Stock	69.0%	5,114	
		Common Stock	60.3%	41	
				18,455	9,979
Brunswick Bowling Products, Inc.	Home and Office Furnishings,	Secured First Lien Term Debt		17,700	17,700
525 West Laketon Ave.	Housewares and Durable Consumer Products	Preferred Stock	98.2%	4,943	16,615
Muskegon, MI 49441				22,643	34,315
B+T Group Acquisition, Inc.	Telecommunications	Secured First Lien Term Debt		14,000	14,000
1717 Boulder Ave #300		Preferred Stock	69.9%	4,196	
Tulsa, OK 74119				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishing, Housewares and Durable Consumer Products	Secured Second Lien Term Debt		16,000	16,000
404 Wyman St.,		Preferred Stock	97.3%	4,500	26,178
Waltham, MA 02451				20,500	42,178
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock	4.2%	1,841	
879 Ward Drive		Common Stock	6.6%		
Santa Barbara, CA 93111				1,841	
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt		8,795	7,028
950 George St.		Common Stock	40.2%	1	
Santa Clara, CA 95054				8,796	7,028

Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt		9,300	8,742
5117 Northeast Pkwy		Secured First Lien Term Debt		2,400	2,268
Fort Worth, TX 76106		Preferred Stock	41.9%	3,774	1,925
				15,474	12,935
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Loan		9,050	9,050
2116 North Ash St.		Preferred Stock	88.9%	4,000	2,555
Ponca City, OK 74601				13,050	11,605
ImageWorks Display and Marketing Group, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit		300	300
415 Wachovia Street		Secured First Lien Term Debt		22,000	22,000
Winston-Salem, NC 27101		Preferred Stock	99.9%	6,750	9,422
				29,050	31,722
J.R. Hobbs Co. Atlanta, LLC	Diversified/Conglomerate Services	Secured First Lien Term Debt		21,000	21,000
2021 Cedars Rd., Suite 100		Preferred Stock	98.7%	5,920	14,480
Lawrenceville, GA 30043				26,920	35,480

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Company	Industry	Investment	Percentage of Class Held on a Fully Diluted Basis	Cost	Fair Value
				(Dollar amounts in thousands) (unaudited)	
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt		9,200	9,200
500 Cornwall Avenue		Preferred Stock	79.5%	1,096	10,207
Cheshire, CT 06410				10,296	19,407
Meridian Rack & Pinion, Inc.	Automobile	Secured First Lien Term Debt		9,660	8,018
6740 Cobra Way		Preferred Stock	54.4%	3,381	802
San Diego, CA 92121				13,041	8,820
The Mountain Corporation	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured Second Lien Term Debt		18,600	8,692
59 Optical Ave.		Secured Second Lien Term Debt		1,000	1,000
Keene, NH 03431		Secured Second Lien Term Debt		1,500	1,500
		Secured Second Lien Delayed Draw Term Debt		250	250
		Preferred Stock	67.2%	6,899	
		Common Stock	76.8%	1	
				28,250	11,442
NDLI, Inc.	Cargo Transport	Preferred Stock	100.0%	3,600	
11335 Clay Rd Ste. 100		Common Stock	85.0%		
Houston, TX 77041				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt		15,770	15,770
PO Box 8000		Preferred Stock	99.2%	6,180	10,411
Spokane, WA 99203				21,950	26,181
Pioneer Square Brands, Inc.	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured First Lien Line of Credit		2,400	2,400
321 3rd Ave, Suite 40				21,000	21,000

		Secured First Lien Term Debt			
Seattle, WA 98104		Preferred Stock	60.0%	5,500	7,800
				28,900	31,200
PSI Molded Plastic, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt		24,618	24,618
5 Wickers Drive		Preferred Stock	99.4%	8,980	3,016
Wolfeboro, NH 03894				33,598	27,634
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt		6,200	6,200
6521 212th St. SW		Secured First Lien Term Debt		12,200	8,827
Lynnwood, WA 98036		Secured First Lien Term Debt		538	440
		Preferred Stock	70.9%	9,749	
				28,687	15,467
Total Affiliate Investments (represents 56.6% of total investments at fair value)				**$ 343,247**	**$ 339,393**

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Company	Industry	Investment	Percentage of Class Held on a Fully Diluted Basis	Cost	Fair Value
				(Dollar amounts in thousands) (unaudited)	
CONTROL INVESTMENTS:					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit		$ 5,000	$ 5,000
1111 Industrial Rd.		Secured Second Lien Term Debt		5,000	5,000
Winfield, KS 67156		Preferred Stock	86.1%	11,464	2,457
		Common Stock	55.0%	48	
				21,512	12,457
Total Control Investments (represents 2.1% of total investments at fair value)				**$ 21,512**	**$ 12,457**
TOTAL INVESTMENTS				**$ 584,846**	**$ 599,147**

Significant Portfolio Companies

Set forth below is a brief description of each portfolio company in which we have made an investment whose fair value represented greater than 5% of our total assets as of March 31, 2018. Because of the relative size of our investments in these companies, we are exposed to a greater degree to the risks associated with these companies.

Brunswick Bowling Products, Inc.

Our investments in Brunswick had an aggregate fair value of $34.3 million as of March 31, 2018 and included $4.9 million of preferred stock, at cost, and a secured first lien term loan with a principal amount outstanding of $17.7 million, which matures on January 19, 2023.

Founded in 1845, Brunswick, headquartered in Muskegon, Michigan, is a leader in the recreation industry and provides industry expertise, products, installation and maintenance for the development and renovation of new and existing bowling centers as well as mixed-use facilities across the entertainment industry.

Our Adviser has entered into a services agreement with Brunswick, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by Brunswick and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with Brunswick s business. Brunswick s business is dependent on the development and construction of new bowling and bowling-related venues, and a decline in the popularity of these venues would have a negative impact on Brunswick s financial performance. Additionally, the death, disability or departure by one or more of Brunswick s senior managers could have a negative impact on its business and operations.

One of the Adviser s managing directors, Kyle Largent, serves as a director of Brunswick s board. Brunswick s principal executive office is located at 525 West Laketon Ave., Muskegon, Michigan 49441.

Cambridge Sound Management, Inc.

Our investments in Cambridge had an aggregate fair value of $42.2 million as of March 31, 2018 and included $4.5 million of preferred stock, at cost, and a secured second lien term loan with a principal amount outstanding of $16.0 million, which matures on August 31, 2021.

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Founded in 1999, Cambridge is the developer of Qt® Quiet Technology sound masking systems. Cambridge offers innovative, simple and intelligently designed solutions to the problems of privacy and acoustic distractions. The patented QtPro solution, powered by direct field sound masking technology, is easy to install and delivers high quality uniform sound masking without complex commissioning. The QtPro solution consists of three inch emitters that can be mounted in any ceiling type and networked control modules with independent zones that can be managed from a smartphone, tablet, or PC.

Our Adviser has entered into a services agreement with Cambridge, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by Cambridge and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with Cambridge s business. Demand for the company s products could be impacted by a significant downturn in corporate office space expansion or renovation. Cambridge operates in a competitive industry where competitive products or alternate solutions may replace the need for Cambridge s product over time. Additionally, the death, disability or departure by one or more of Cambridge s senior managers could have a negative impact on its business and operations.

One of the Adviser s managing directors, Erika Highland, serves as a director of Cambridge s board. Cambridge s principal executive office is located at 404 Wyman Street, Waltham, Massachusetts 02451.

ImageWorks Display and Marketing Group, Inc.

Our investments in ImageWorks had an aggregate fair value of $31.7 million as of March 31, 2018 and included $6.8 million of preferred stock, at cost, a secured first lien term loan with a principal amount outstanding of $22.0 million which matures on November 21, 2022, and a secured first lien revolving line of credit with a principal amount outstanding of $0.3 million which was scheduled to mature on May 21, 2018. Subsequent to March 31, 2018, the secured first lien revolving line of credit was amended to mature on August 21, 2018.

Founded in 1996, ImageWorks, headquartered in Winston-Salem, North Carolina, is a market leading point-of-purchase display provider specializing in the design, engineering and production of custom semi-permanent and permanent displays across a variety of brands and consumer product end markets.

Our Adviser has entered into a services agreement with ImageWorks, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by ImageWorks and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with ImageWorks business. ImageWorks business is dependent on the demand for point-of-purchase display units in retail outlets in the United States across a variety of end markets, including tobacco, toys, and hardware. A decline in the desire for either the products themselves or the need for displays to showcase these products would have a negative impact on ImageWorks financial performance. Additionally, the death, disability or departure by one or more of ImageWorks senior managers could have a negative impact on its business and operations.

One of the Adviser s principals, David Glazer, serves as a director of ImageWorks board. ImageWorks principal executive office is located at 415 Wachovia Street, Winston-Salem, North Carolina 27101.

J.R. Hobbs Co. Atlanta, LLC

Our investments in JR Hobbs had an aggregate fair value of $35.5 million as of March 31, 2018 and included $5.9 million of preferred stock, at cost, and a secured first lien term loan with a principal amount outstanding of $21.0 million, which matures on February 17, 2022.

Founded in 1971, JR Hobbs is an HVAC installation subcontractor focused on the multifamily and light commercial construction market in the Southeast U.S. Based in Lawrenceville, Georgia, it provides general contractors, building owners, and developers with engineered HVAC solutions for their properties. Through its technical salesforce, rigorous pre-construction procedures, experienced team of senior field personnel, and decades of experience in the multi-family sector, JR Hobbs is a full service HVAC subcontractor to its customers across the Southeast.

Our Adviser has entered into a services agreement with JR Hobbs, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by JR Hobbs and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with JR Hobbs s business. JR Hobbs business is dependent on construction of multi-family buildings in the Southeast, and a decline in construction spending would have a negative impact on JR Hobbs ability to win new business. Additionally, the death, disability or departure by one or more of JR Hobbs s senior managers could have a negative impact on its business and operations.

One of the Adviser s directors, Peter Roushdy, serves as a director of JR Hobbs s board. JR Hobbs s principal executive office is located at 2021 Cedars Rd., Lawrenceville, Georgia 30043.

Nth Degree, Inc.

Our investments in Nth Degree had an aggregate fair value of $39.7 million as of March 31, 2018 and included $5.7 million of preferred stock, at cost, and a secured first lien term loan with a principal amount outstanding of $13.3 million, which matures on December 14, 2020.

Founded in 1979, Nth Degree is a multifaceted face-to-face event marketing and management services organization. Based outside of Atlanta, Georgia, Nth Degree operates two divisions. The labor division provides installation and dismantle services for tradeshow exhibits across the country. Nth Degree is the largest exhibitor-appointed provider of this service in the U.S. The events division provides event management services for large corporate events, managing logistics, sales and sponsorship, education services, and all other facets of these events.

Our Adviser has entered into a services agreement with Nth Degree, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by Nth Degree and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with Nth Degree s business. The tradeshow industry is exposed to economic cycles as tradeshow expenditures are highly correlated with economic activity. Nth Degree s events division has two large customers and the loss of either or both customers would have a significant impact on the company s financial performance, however, these customers do not represent a significant percentage of the overall company s revenue. Additionally, the death, disability or departure by one or more of Nth Degree s senior managers could have a negative impact on its business and operations.

One of the Adviser s managing directors, Kyle Largent, serves as a director of Nth Degree s board. Nth Degree s principal executive office is located at 2675 Breckinridge Boulevard, Duluth, Georgia 30096.

Pioneer Square Brands, Inc.

Our investments in Pioneer had an aggregate fair value of $31.2 million as of March 31, 2018 and included $5.5 million of preferred stock, at cost, a secured first lien term loan with a principal amount outstanding of

$21.0 million which matures on August 25, 2022, and a secured first lien revolving line of credit with a principal amount outstanding of $2.4 million which was scheduled to mature on April 25, 2018. Subsequent to March 31, 2018, the secured first lien revolving line of credit was repaid and terminated.

Pioneer, headquartered in Seattle, Washington, is a designer, manufacturer, and marketer of premium mobile technology bags and cases serving a diverse customer base, primarily in the K-12 education sector.

Our Adviser has entered into a services agreement with Pioneer, pursuant to which our Adviser has agreed to advise and provide certain management and consulting services as mutually agreed upon by Pioneer and our Adviser.

Because of the relative size of this investment, we are significantly exposed to the risks associated with Pioneer s business. Pioneer s business is dependent on the continued adoption of electronic devices in K-12 curricula in the U.S., and a decline in the use of such devices would have a negative impact on Pioneer s financial performance. Additionally, the death, disability or departure by one or more of Pioneer s senior managers could have a negative impact on its business and operations.

One of the Adviser s managing directors, Kyle Largent, serves as a director of Pioneer s board. Pioneer s principal executive office is located at 321 3rd Ave., Seattle, Washington 98104.

MANAGEMENT

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors currently consists of eight members, six of whom are not considered to be interested persons, as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our Board of Directors elects our officers, who serve at the discretion of the Board of Directors.

Board of Directors

Under our certificate of incorporation, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three year term. Holders of our common stock and preferred stock vote together as a class for the election of directors, except that the holders of our Term Preferred Stock have the sole right to elect two of our directors. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. Information regarding our Board of Directors is as follows (the address for each director is c/o Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102):

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
David Gladstone	76	Chairman of the Board of Directors and Chief Executive Officer(1)(2)(6)	2005	2019
Terry L. Brubaker	74	Vice Chairman, Chief Operating Officer and Director(1)(2)(6)	2005	2018
Independent Directors				
Paul W. Adelgren	75	Director(4)(5)(7)	2005	2019
Michela A. English	68	Director(3)(7)	2005	2020
Caren D. Merrick	58	Director(3)(7)	2014	2018
John H. Outland	72	Director(3)(4)(5)(7)	2005	2019
Anthony W. Parker	72	Director(2)(3)(6)(7)	2005	2020
Walter H. Wilkinson, Jr.	72	Director(4)(5)(7)	2014	2018

(1) Interested person as defined in Section 2(a)(19) of the 1940 Act due to the director s position as our officer and/or employment by our Adviser.

(2) Member of the executive committee.

(3) Member of the audit committee.

(4) Member of the ethics, nominating, and corporate governance committee.

(5) Member of the compensation committee.

(6) Member of the offering committee.

(7) Each independent director serves as an alternate member of each committee for which they do not serve as a regular member. Alternate members of the committees serve and participate in meetings of the committees only in the event of an absence of a regular member of the committee.

The biographical information for each of our directors includes all of the public company directorships held by such directors for the past five years.

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Independent Directors (in alphabetical order)

Paul W. Adelgren. Mr. Adelgren has served as a director since June 2005. Mr. Adelgren has also served as a director of Gladstone Commercial since August 2003, Gladstone Capital since January 2003 and Gladstone Land since January 2013. From 1997 until January 2018, Mr. Adelgren served as the pastor of Missionary Alliance Church. From 1991 to 1997, Mr. Adelgren was pastor of New Life Alliance Church. From 1988 to 1991, Mr. Adelgren was vice president finance and materials for Williams & Watts, Inc., a logistics management and procurement business located in Fairfield, NJ. Prior to joining Williams & Watts, Mr. Adelgren served in the United States Navy, where he served in a number of capacities, including as the director of the Strategic Submarine Support Department, as an executive officer at the Naval Supply Center, and as the director of the Joint Uniform Military Pay System. He is a retired Navy Captain. Mr. Adelgren holds an MBA from Harvard Business School and a BA from the University of Kansas. Mr. Adelgren was selected to serve as an independent director on our Board of Directors, due to his strength and experience in ethics, which also led to his appointment to the chairmanship of our Ethics, Nominating & Corporate Governance Committee (the Ethics Committee).

Michela A. English. Ms. English has served as a director since June 2005. Ms. English has served as director of Fight for Children, a non-profit charitable organization focused on providing high quality education and health care services to underserved youth in Washington, D.C. since January 2017 and served as President and Chief Executive Officer of Fight for Children from June 2006 to January 2017. Ms. English has also been a director of Gladstone Commercial since August 2003, Gladstone Capital since June 2002 and Gladstone Land since January 2013. From March 1996 to March 2004, Ms. English held several positions with Discovery Communications, Inc., including president of Discovery Consumer Products, president of Discovery Enterprises Worldwide and president of Discovery.com. From 1991 to 1996, Ms. English served as senior vice president of the National Geographic Society and was a member of the National Geographic Society s Board of Trustees and Education Foundation Board. Prior to 1991, Ms. English served as vice president, corporate planning and business development for Marriott Corporation and as a senior engagement manager for McKinsey & Company. Ms. English has served as director of the Hershey Trust Company and the Milton Hershey School since 2018, the Educational Testing Service since 2000, as a director of D.C. Preparatory Academy since 2004, and a director of the D.C. Public Education Fund since 2007. Ms. English is an emeritus member of the board of Sweet Briar College. Ms. English holds a Bachelor of Arts in International Affairs from Sweet Briar College and a Master of Public and Private Management degree from Yale University s School of Management. Ms. English was selected to serve as an independent director on our Board of Directors due to her greater than twenty years of senior management experience at various corporations and non-profit organizations as well as her past service on our Board of Directors since 2005.

Caren D. Merrick. Ms. Merrick has served as our director and as a director of Gladstone Capital, Gladstone Commercial, and Gladstone Land since November 2014. Ms. Merrick is the former founder and Chief Executive Officer of Caren Merrick & Co., an advisory firm on growth strategies since 2014. Ms. Merrick is the founder of, and from 2014 until 2017, served as the chief executive officer of, Pocket Mentor, a mobile application and digital publishing company focused on leadership development and career advancement. Since 2004 she has served as a partner with Bibury Partners, an investment advisory firm that focuses on enterprise and consumer technology sectors. In addition, Ms. Merrick has served as a board member of WashingtonFirst Bankshares, Inc. (Nasdaq: WFBI) since June 2015 and has served as a board member of the Metropolitan Washington Airport Authority since 2012. Ms. Merrick co-founded and from 1996 to 2001 served as an executive vice president of, webMethods, Inc., a company that provides business-to-business enterprise software solution for Global 2000 companies. Ms. Merrick served on the boards of directors of VisualCV, a venture-backed online resume and corporate talent management solution, from 2008 2011, Inova Healthcare Services from 2001 2005, and the Northern Virginia Technology Council from 2000 2004. Ms. Merrick previously served as a member of the Technology Subgroup on the Virginia Governor s Economic Development and Jobs Creation Commission from 2010 2011. Ms. Merrick also was director of

AOL.com for America Online from 1996 1997, and has also been a consultant for Australia Post, a $5 billion government business enterprise that provides postal, retail and financial, logistics and fulfillment services across Australia. Ms. Merrick is also a founding investor in Venture

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Philanthropy Partners, a philanthropic investment organization that mentors nonprofit leaders in growing programs to improve the lives of children from low income families in the National Capital Region. She has also served on the boards of several Washington, DC area charities, including Greater DC Cares, CharityWorks, the Fairfax Symphony and the Langley School. She is an active member of ARCS Advancing Science in America Achievement Awards for College Scientists. She also currently serves on the board of the Global Good Fund and the Women in Technology s Leadership Foundry. Ms. Merrick received a BA in political science from the University of California, Los Angeles, and has received a Certificate of Director Education from the National Association of Corporate Directors. Ms. Merrick was selected to serve as an independent director on our Board of Directors due to her knowledge and experience in operating a business and her understanding of the small business area through experiences overseeing the successful growth of her own business and several large and small businesses, charities and non-profits.

John H. Outland. Mr. Outland has served as a director since June 2005. Mr. Outland has also served as a director of Gladstone Commercial and Gladstone Capital since December 2003 and Gladstone Land since January 2013. Mr. Outland has been a private investor since June 2006. From March 2004 to June 2006, he served as vice president of Genworth Financial, Inc. From 2002 to March 2004, Mr. Outland served as a managing director for 1789 Capital Advisors, where he provided market and transaction structure analysis and advice on a consulting basis for multifamily commercial mortgage purchase programs. From 1999 to 2001, Mr. Outland served as vice president of mortgage-backed securities at Financial Guaranty Insurance Company where he was team leader for bond insurance transactions, responsible for sourcing business, coordinating credit, loan files, due diligence and legal review processes, and negotiating structure and business issues. From 1993 to 1999, Mr. Outland was senior vice president for Citicorp Mortgage Securities, Inc., where he securitized non-conforming mortgage products. From 1989 to 1993, Mr. Outland was vice president of real estate and mortgage finance for Nomura Securities International, Inc., where he performed due diligence on and negotiated the financing of commercial mortgage packages in preparation for securitization. Mr. Outland holds an MBA from Harvard Business School and a bachelor s degree in Chemical Engineering from Georgia Institute of Technology. Mr. Outland was selected to serve as an independent director on our Board of Directors due to his more than twenty years of experience in the real estate and mortgage industry as well as his past service on our Board of Directors since 2005.

Anthony W. Parker. Mr. Parker has served as a director since June 2005. Mr. Parker has also served as a director of Gladstone Commercial since August 2003, Gladstone Capital since August 2001 and Gladstone Land since January 2013. In January 2011, Mr. Parker was elected as treasurer of the Republican National Committee. In 1997 Mr. Parker founded, and has since served as chairman of the board of, Parker Tide Corp., formerly known as Snell Professional Corp. Parker Tide Corp. is a government contracting company providing mission critical solutions to the Federal government. From 1992 to 1996, Mr. Parker was chairman of Capitol Resource Funding, Inc., a commercial finance company. Mr. Parker practiced corporate and tax law for over 15 years: from 1980 to 1983, he practiced at Verner, Liipfert, Bernhard & McPherson and, from 1983 to 1992, in private practice. From 1973 to 1977, Mr. Parker served as executive assistant to the administrator of the U.S. Small Business Administration. Mr. Parker is currently a director of the Naval Sailing Foundation, a 501(c) organization located in Annapolis, Maryland. Mr. Parker received his J.D. and Masters in Tax Law from Georgetown Law Center and his undergraduate degree from Harvard College. Mr. Parker was selected to serve as an independent director on our Board of Directors due to his expertise and experience in the field of corporate taxation as well as his past service on our Board of Directors since 2005. Mr. Parker s knowledge of corporate tax was instrumental in his appointment to the chairmanship of our Audit Committee.

Walter H. Wilkinson, Jr. Mr. Wilkinson has served as our director and as a director of Gladstone Capital, Gladstone Commercial and Gladstone Land since October 2014. Mr. Wilkinson is the founder and former general partner of Kitty Hawk Capital, a venture capital firm from its founding in 1980 through 2016 and based in Charlotte, North

Carolina. He has served on the board of the N.C. State University Foundation and has previously served on the boards of other universities and related organizations. He is a past member and director of the National Venture Capital Association and is a past member and Chairman of the National Association of

Small Business Investment Companies. He was founding Chairman of the Carolinas Chapter of the National Association of Corporate Directors (NACD) and served on its board from 2013 until December 2015. He is a NACD Leadership Fellow, having completed the NACD s program for corporate directors. He served as a director of RF Micro Devices (Nasdaq: RFMD) from 1992 to January 2015 and served as the Chairman of the board of directors from July 2008 until January 2015 when RF Micro Devices merged with Triquint Semiconductor, Inc. (Nasdaq: TQNT) to form the new company QORVO (Nasdaq:QRVO) where he currently serves as lead independent director. Mr. Wilkinson serves or has served as a director of numerous venture-backed companies, both public and private. During his career he has helped to start or expand dozens of rapidly growing companies in a variety of industries. He is a graduate of N.C. State University (BS) and the Harvard Graduate School of Business Administration (MBA). Mr. Wilkinson was selected to serve as an independent director on our Board of Directors due to his strong leadership skills and his valuable understanding of our industry from over 35 years of venture capital experience.

Interested Directors

David Gladstone. Mr. Gladstone is our founder and has served as our chief executive officer and chairman of our Board of Directors since our inception and president until April 2008. Mr. Gladstone is also the founder of our Adviser and Administrator and has served as chief executive officer of each and chairman of the board of directors and board of managers, respectively, of each since their inception. Mr. Gladstone also serves as a non-employee director of the board of managers our affiliate Gladstone Securities. Mr. Gladstone also founded and serves as the chief executive officer and chairman of the boards of directors of our affiliates, Gladstone Capital, Gladstone Commercial and Gladstone Land. Prior to founding the Gladstone Companies, Mr. Gladstone served as either chairman or vice chairman of the board of directors of American Capital Ltd. (Nasdaq: ACAS), a publicly traded leveraged buyout fund and mezzanine debt finance company, from June 1997 to August 2001. From 1974 to February 1997, Mr. Gladstone held various positions, including chairman and chief executive officer, with Allied Capital Corporation (Nasdaq: ALD) (a mezzanine debt lender), Allied Capital Corporation II (a subordinated debt lender), Allied Capital Lending Corporation (a small business lending company), Allied Capital Commercial Corporation (a real estate investment company), and Allied Capital Advisers, Inc., a registered investment adviser that managed the Allied companies. The Allied companies were the largest group of publicly-traded mezzanine debt funds in the United States and were managers of two private venture capital limited partnerships (Allied Venture Partnership and Allied Technology Partnership) and a private REIT (Business Mortgage Investors). From 1992 to 1997, Mr. Gladstone served as a director, president and chief executive officer of Business Mortgage Investors, a privately held mortgage REIT managed by Allied Capital Advisors, which invested in loans to small and medium-sized businesses. Mr. Gladstone is also a past director of Capital Automotive REIT, a real estate investment trust that purchases and net leases real estate to automobile dealerships. Mr. Gladstone served as a director of The Riggs National Corporation (the parent of Riggs Bank) from 1993 to May 1997 and of Riggs Bank from 1991 to 1993. He has served as a trustee of The George Washington University and currently is a trustee emeritus. He is a past member of the Listings and Hearings Committee of the National Association of Securities Dealers, Inc. Mr. Gladstone was the founder and managing member of The Capital Investors, LLC, a group of angel investors, and is currently a member emeritus. Mr. Gladstone holds an MBA from the Harvard Business School, an MA from American University and a BA from the University of Virginia. Mr. Gladstone has co-authored two books on financing for small and medium-sized businesses, *Venture Capital Handbook* and *Venture Capital Investing.* Mr. Gladstone was selected to serve as a director on our Board of Directors due to the fact that he is our founder and has greater than thirty years of experience in the industry, including his service as our chairman and chief executive since our inception.

Terry Lee Brubaker. Mr. Brubaker has been our chief operating officer and vice chairman since our inception. Mr. Brubaker served as our secretary from our inception through October 2012, when he became assistant secretary. Mr. Brubaker has also served as a director of our Adviser since its inception. He also served as president of our Adviser from its inception through February 2006, when he assumed the duties of vice chairman and chief operating officer and as secretary from inception through October 2012. He has served as chief operating officer, secretary and as a director of Gladstone Capital since its inception. He also served as president of Gladstone Capital from May 2001 through April 2004, when he assumed the duties of vice chairman. Mr. Brubaker has also served chief operating officer, secretary and as a director of Gladstone Commercial since February 2003, and as president from February 2003 through July 2007, when he assumed the duties of vice chairman. Mr. Brubaker has also served as vice chairman and chief operating officer of Gladstone Land since April 2007. Mr. Brubaker stepped down as secretary and became assistant secretary of each of Gladstone Capital, Gladstone Commercial, Gladstone Land and the Adviser in October 2012. In March 1999, Mr. Brubaker founded and, until May 1, 2003, served as chairman of Heads Up Systems, a company providing process industries with leading edge technology. From 1996 to 1999, Mr. Brubaker served as vice president of the paper group for the American Forest & Paper Association. From 1992 to 1995, Mr. Brubaker served as president of Interstate Resources, a pulp and paper company. From 1991 to 1992, Mr. Brubaker served as president of IRI, a radiation measurement equipment manufacturer. From 1981 to 1991, Mr. Brubaker held several management positions at James River Corporation, a forest and paper company, including vice president of strategic planning from 1981 to 1982, group vice president of the Groveton Group and Premium Printing Papers from 1982 to 1990, and vice president of human resources development in 1991. From 1976 to 1981, Mr. Brubaker was strategic planning manager and marketing manager of white papers at Boise Cascade. Previously, Mr. Brubaker was a senior engagement manager at McKinsey & Company from 1972 to 1976. Prior to 1972, Mr. Brubaker was a U.S. Navy fighter pilot. Mr. Brubaker holds an MBA from the Harvard Business School and a BSE from Princeton University. Mr. Brubaker was selected to serve as a director on our Board of Directors due to his more than thirty years of experience in various mid-level and senior management positions at several corporations as well as his past service on our Board of Directors since our inception.

Executive Officers and Certain Other Officers Who Are Not Directors

Information regarding our executive officer and certain other officers who are not directors is as follows (the address for each executive officer is c/o Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102):

Name	Age	Position
David A.R. Dullum	70	President
Michael LiCalsi	48	General Counsel and Secretary
Julia Ryan	37	Chief Financial Officer and Treasurer

David A.R. Dullum. Mr. Dullum has served as our president since April 2008 and a director from June 2005 to August 2015. Mr. Dullum has been a senior managing director of our Adviser since February 2008, a director of Gladstone Commercial from August 2003 until May 2015, and a director of Gladstone Capital from August 2001 until February 2015. From 1995 to 2009, Mr. Dullum had been a partner of New England Partners, a venture capital firm focused on investments in small and medium-sized business in the Mid-Atlantic and New England regions. From 1976 to 1990, Mr. Dullum was a managing general partner of Frontenac Company, a Chicago-based venture capital firm. Mr. Dullum holds an MBA from Stanford Graduate School of Business and a BME from the Georgia Institute of Technology.

Michael LiCalsi. Mr. LiCalsi is general counsel for all of the affiliated Gladstone companies and has served in this capacity since October 2009. He has also served as secretary of all of the affiliated Gladstone companies since October 2012. In addition, Mr. LiCalsi is the president of the Administrator, since July 2013, and serves as managing principal of Gladstone Securities and as a member of its board of managers, since 2010.

Julia Ryan. Ms. Ryan has served as our chief financial officer and treasurer since July 2015 and as our chief accounting officer since April 2015. Prior to that time, she served in the assurance services practice at KPMG LLP, where she worked from 2004 to 2015. In this role, Ms. Ryan primarily provided services to public companies in the asset management and real estate industries. She is a certified public accountant in the Commonwealth of Virginia and a member of the AICPA and VSCPA.

Employment Agreements

We are not a party to any employment agreements. Messrs. Gladstone and Brubaker have entered into employment agreements with our Adviser, whereby they are direct employees of our Adviser.

Director Independence

As required under Nasdaq listing standards, our Board of Directors annually determines each director s independence. The Nasdaq listing standards provide that a director of a BDC is considered to be independent if he or she is not an interested person of ours, as defined in Section 2(a)(19) of the 1940 Act. Section 2(a)(19) of the 1940 Act defines an interested person to include, among other things, any person who has, or within the last two years had, a material business or professional relationship with us or our Adviser.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent registered public accounting firm, the Board of Directors has affirmatively determined that the following six directors are independent directors within the meaning of the applicable Nasdaq listing standards: Messrs. Adelgren, Outland, Parker and Wilkinson and Mses. English and Merrick. In making this determination, the Board of Directors found that none of these directors had a material or other disqualifying relationship with us. Mr. Gladstone, the chairman of our Board of Directors and chief executive officer, and Mr. Brubaker, our vice chairman, chief operating officer and assistant secretary, are not independent directors by virtue of their positions as our officers and their employment by our Adviser.

Corporate Leadership Structure

Since our inception, Mr. Gladstone has served as chairman of our Board of Directors and our chief executive officer. Our Board of Directors believes that our chief executive officer is best situated to serve as chairman because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. In addition, Mr. Adelgren, one of our independent directors, serves as the lead independent director for all meetings of our independent directors held in executive session. The lead independent director has the responsibility of presiding at all executive sessions of our Board of Directors, consulting with the chairman and chief executive officer on Board of Directors and committee meeting agendas, acting as a liaison between management and the independent directors and facilitating teamwork and communication between the independent directors and management.

Our Board of Directors believes the combined role of chairman and chief executive officer, together with a lead independent director, is in the best interest of stockholders because it provides the appropriate balance between strategic development and independent oversight of risk management. In coming to this conclusion, the Board of Directors considered the importance of having an interested chairperson that is familiar with our day-to-day management activities, our portfolio companies and the operations of our Adviser. The Board concluded that the combined role enhances the Board of Directors understanding of our investment portfolio, business, finances and risk management efforts. In addition, the Board of Directors believes that Mr. Gladstone s ownership of and employment by the Adviser better allows for the efficient mobilization of the Adviser s resources at the Board of Directors behest and on its behalf.

Committees of Our Board of Directors

Executive Committee. Membership of our executive committee is comprised of Messrs. Gladstone, Brubaker and Parker. The executive committee has the authority to exercise all powers of our Board of Directors except for actions that must be taken by a majority of the independent directors or the full Board of Directors under applicable laws and regulations. The executive committee did not meet during the fiscal year ended March 31, 2018.

Audit Committee. The Audit Committee oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines and approves the scope of the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee is also responsible for reviewing and discussing with management and our independent accountants our annual audited financial statements, including disclosures made in Management s Discussion and Analysis of Financial Condition and Results of Operations, and recommending to the Board whether the audited financial statements should be included in the Company s Annual Report on Form 10-K. On a quarterly basis, the Audit Committee reviews and discusses with management and our independent accountants the Company s quarterly financial statements prior to the filing of the Company s Quarterly Reports on Form 10-Q, including the results of the independent accountants reviews of the quarterly financial statements. At least annually, the Audit Committee reviews a report from the independent accountants regarding the independent accountant s internal quality-control procedures, any material issues raised by internal quality review, or peer review, of the firm or any inquiry or investigation by governmental or professional authorities with respect to independent audits carried out by the firm and any steps taken to deal with any such issues. During the fiscal year ended March 31, 2018, the Audit Committee was comprised of Messrs. Parker (Chairperson) and Outland and Mses. English and Merrick. Messrs. Adelgren and Wilkinson served as alternate members of the Audit Committee. Alternate members of the Audit Committee serve and participate in meetings of the Audit Committee only in the event of an absence of a regular member. The Audit Committee met eight times during the last fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on the Corporate Governance section of our website at *www.gladstoneinvestment.com.*

Our Board of Directors has determined that all members and alternate members of our Audit Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards). No member of the Audit Committee received any compensation from us during the last fiscal year other than directors fees. Our Board of Directors has unanimously determined that all Audit Committee members and alternate members are financially literate under current Nasdaq rules and that each of Messrs. Adelgren, Outland, Parker and Wilkinson and Mses. English and Merrick qualify as an audit committee financial expert, as defined in applicable SEC rules. Our Board of Directors made a qualitative assessment of the members level of knowledge and experience based on a number of factors, including formal education and experience. Messrs. Parker and Outland and Mses. English and Merrick also serve on the audit committees of Gladstone Capital, Gladstone Commercial and Gladstone Land. Our Audit Committee s alternate members, Messrs. Adelgren and Wilkinson, also serve as alternate members on the audit committees of Gladstone Capital, Gladstone Commercial and Gladstone Land. Our Board of Directors has determined that this simultaneous service does not impair the respective director s ability to effectively serve on our Audit Committee.

Compensation Committee. The Compensation Committee operates pursuant to a written charter that is available to stockholders on the Corporate Governance section of our website at *www.gladstoneinvestment.com*. The Compensation Committee conducts periodic reviews of our Advisory Agreement and our Administration Agreement to evaluate whether the fees paid to our Adviser and our Administrator under the agreements are in the best interests of us and our stockholders. The committee considers in such periodic reviews, among other things, whether the performance of our Adviser and our Administrator are reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory and Administration Agreements are being satisfactorily performed and determines whether or not to recommend to the Board of Directors renewal of such Agreements for the upcoming year. The Compensation Committee also reviews with management our Compensation Discussion and Analysis to consider whether to recommend that it be included in proxy statements and other filings. During the fiscal year ended March 31, 2018, the Compensation Committee was composed of Messrs. Outland (Chairperson), Adelgren and Wilkinson. Mr. Parker and Mses. English and Merrick served as alternate members of the Compensation Committee. Alternate members of the Compensation Committee serve and participate in meetings of the Compensation Committee only in the event of an absence of a regular member of the Compensation Committee. The Compensation Committee met four times during the fiscal year ended March 31, 2018.

Our Board of Directors has determined that all members and alternate members of our Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards). No member of the Compensation Committee received compensation from us during the last fiscal year other than directors fees. Messrs. Outland, Adelgren and Wilkinson also serve on the compensation committees of Gladstone Commercial, Gladstone Land and Gladstone Capital. Our Compensation Committee s alternate members, Mr. Parker and Mses. English and Merrick also serve as alternate members on the compensation committees of Gladstone Commercial, Gladstone Land and Gladstone Capital. Our Board of Directors has determined that this simultaneous service does not impair the respective director s ability to effectively serve on our Compensation Committee.

Ethics, Nominating, and Corporate Governance Committee. The Ethics Committee is responsible for identifying, reviewing and evaluating candidates to serve as our directors (consistent with criteria approved by our Board of Directors), reviewing and evaluating incumbent directors, recommending to our Board of Directors for selection candidates for election to our Board of Directors, making recommendations to our Board of Directors regarding the membership of the committees of our Board of Directors, assessing the performance of our Board of Directors, and developing our corporate governance principles. Our Ethics Committee charter can be found on the Corporate Governance section of our website at *www.gladstoneinvestment.com.* During the fiscal year ended March 31, 2018, the Ethics Committee was composed of Messrs. Adelgren (Chairperson), Outland and Wilkinson. Mr. Parker and Mses. English and Merrick served as alternate members of the Ethics Committee. Alternate members of the Ethics Committee serve and participate in meetings of the committee only in the event of an absence of a regular member of the committee. Each member and alternate of the Ethics Committee is independent (as independence is currently defined in Rule 5605(a)(2) of the Nasdaq listing standards). The Ethics Committee met four times during the last fiscal year.

The Ethics Committee considers director candidates recommended by stockholders. The Ethics Committee does not alter the manner in which it evaluates candidates, including the minimum criteria set forth below under *Qualification for our Director Candidates*, based on whether the candidate was recommended by a stockholder or not. Stockholders who wish to recommend individuals for consideration to become nominees for election to our Board of Directors may do so by timely delivering a written recommendation to the Ethics Committee containing the information required by our Bylaws.

For nominations for election to our Board of Directors or other business to be properly brought before an annual meeting by a stockholder, the stockholder must comply with the advance notice provisions and other requirements of Article III, Section 5 of our Bylaws. These notice provisions require that nominations for directors for the upcoming fiscal year must be received no earlier than 120 days before the first anniversary of the then-current fiscal year s annual meeting of stockholders, and no later than 90 days before the first anniversary of the then-current fiscal year s annual meeting of stockholders. In the event that an annual meeting is advanced or delayed by more than 30 days from the first anniversary of the prior year s annual meeting, notice by the stockholder, to be timely, must be delivered not earlier than the close of business on the 120th day prior to such annual meeting date and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

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Submissions must include the full name of the proposed nominee, a description of the proposed nominee s business experience for at least the previous five years, complete biographical information, a description of the proposed nominee s qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. To date, the Ethics Committee has not received or rejected a timely director nominee proposal from a stockholder or stockholders.

Offering Committee. The Offering Committee was comprised of Messrs. Gladstone (Chairman), Brubaker and Parker during the fiscal year ended March 31, 2018, with each of our other directors who meet the independence requirements of Nasdaq serving as alternates for Mr. Parker. The Offering Committee is responsible for assisting the Board of Directors in discharging its responsibilities regarding the offering from time to time of our securities. The Offering Committee has all powers of the Board of Directors that are necessary or appropriate and may lawfully be delegated to the Offering Committee in connection with an offering of our securities. Our Offering Committee operates pursuant to a written charter, which can be found in the Corporate Governance section of our website at *www.gladstoneinvestment.com*. The Offering Committee did not meet during the fiscal year ended March 31, 2018.

Valuation Committee. The Valuation Committee was comprised of Ms. Merrick (Chairperson), and Messrs. Outland, Parker and Wilkinson during the fiscal year ended March 31, 2018, with each of our other independent directors serving as alternates. The Valuation Committee is responsible for assisting the Board of Directors in determining the fair value of our investment portfolio or other assets in compliance with the Investment Company Act of 1940, as amended, and assisting the Board of Directors compliance with legal and regulatory requirements, as well as risk management, related to valuation. The Valuation Committee was formed in July 2015, and operates pursuant to a written charter, which can be found in the Corporate Governance section of our website at *www.gladstoneinvestment.com*. The Valuation Committee met four times during the fiscal year ended March 31, 2018.

Qualification for our Director Candidates

The Ethics Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Ethics Committee also considers such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to our affairs, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of our stockholders. However, the Ethics Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of our Board of Directors, our operating requirements and the long-term interests of our stockholders.

Though we have no formal policy addressing diversity, the Ethics Committee and Board of Directors believe that diversity is an important attribute of directors and that our Board of Directors should be the culmination of an array of backgrounds and experiences and capable of articulating a variety of viewpoints. Accordingly, the ethics, nominating and corporate governance committee considers in its review of director nominees factors such as values, disciplines, ethics, age, gender, race, culture, expertise, background and skills, all in the context of an assessment of the perceived needs of us and our Board of Directors at that point in time in order to maintain a balance of knowledge, experience and capability.

In the case of incumbent directors whose terms of office are set to expire, the ethics, nominating and corporate governance committee reviews such directors overall service to us during their term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with us during their term. The Ethics Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Ethics

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Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of our Board of Directors. The ethics, nominating and corporate governance committee meets to discuss and consider such candidates qualifications and then selects a nominee for recommendation to our Board of Directors by majority vote. To date, the Ethics Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

Nominations made by stockholders must be made by written notice (setting forth the information required by our bylaws) received by the secretary of our company at least 120 days in advance of an annual meeting or within 10 days of the date on which notice of a special meeting for the election of directors is first given to our stockholders.

Meetings

Our Board met four times during our fiscal year ended March 31, 2018. During the fiscal year ended March 31, 2018, each member of the Board of Directors attended 75% or more of the aggregate of the meetings of the Board of Directors and of the committees on which he or she served. As applicable under Nasdaq listing standards, which require regularly scheduled meetings of independent directors, our independent directors met four times during fiscal year 2018 in regularly scheduled executive sessions at which only independent directors were present.

Oversight of Risk Management

Since September 2007, John Dellafiora, Jr. has served as our chief compliance officer and, in that position, Mr. Dellafiora directly oversees our enterprise risk management function and reports to our chief executive officer, the Audit Committee and our Board of Directors in this capacity. In addition, Mr. Dellafiora serves as the chief compliance officer of each of the Affiliated Public Funds. Mr. Dellafiora also serves as a managing principal of and is on the board of managers of Gladstone Securities. He additionally serves as the chief compliance officer and chief financial officer of the Adviser and the Administrator. In fulfilling his risk management responsibilities, Mr. Dellafiora works closely with our general counsel and members of our executive management including, among others, our chief executive officer, chief financial officer and treasurer and chief operating officer. Our Board of Directors, in its entirety, plays an active role in overseeing management of our risks. Our Board of Directors regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Each of the following committees of our Board of Directors plays a distinct role with respect to overseeing management of our risks:

- *Audit Committee:* Our Audit Committee oversees the management of enterprise risks. To this end, our Audit Committee meets at least quarterly (i) to discuss our risk management guidelines, policies and exposures and (ii) with our independent registered public accounting firm to review our internal control environment and other risk exposures.

- *Compensation Committee:* Our Compensation Committee oversees the management of risks relating to the fees paid to our Adviser and Administrator under the Advisory Agreement and the Administration Agreement, respectively. In fulfillment of this duty, the Compensation Committee meets at least annually to review these agreements. In addition, the Compensation Committee reviews the performance of our Adviser to determine whether the compensation paid to our Adviser was reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory Agreement were being satisfactorily performed.

Ethics, Nominating and Corporate Governance Committee: Our Ethics Committee manages risks associated with the independence of our Board of Directors and potential conflicts of interest.

Valuation Committee: Our Valuation Committee manages risks associated with valuation of our investment portfolio and other assets. In addition the Valuation Committee facilitates communication between the Board of Directors, our senior and financial management and our independent public accountants related to valuation matters.

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While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the committees each report to our Board of Directors on a regular basis to apprise our Board of Directors regarding the status of remediation efforts of known risks and of any new risks that may have arisen since the previous report.

Summary of Compensation

Executive Compensation

None of our executive officers receives direct compensation from us. We do not currently have any employees and do not expect to have any employees in the foreseeable future. The services necessary for the operation of our business are provided to us by our officers and the other employees of our Adviser and Administrator, pursuant to the terms of the Advisory and Administration Agreements, respectively.

Mr. Gladstone, our chairman and chief executive officer; Mr. Brubaker, our vice chairman, chief operating officer and assistant secretary; and Mr. Dullum, our president, are all employees of and compensated directly by our Adviser. Ms. Ryan, our chief financial officer and treasurer, is an employee of our Administrator. Under the Administration Agreement, we reimburse our Administrator for our allocable portion of the salary of our chief financial officer and treasurer. During our last fiscal year, our allocable portion of Ms. Ryan s compensation paid by our Administrator was $41,840 of her salary, $20,559 of her bonus, and $8,923 of the cost of her benefits.

During the fiscal year ended March 31, 2018, we incurred total fees, net of credits, of approximately $13.4 million to our Adviser under the Advisory Agreement and $1.1 million to our Administrator under the Administration Agreement. See *Business Transactions with Related Parties Investment Advisory and Management Agreement*, *Business Transactions with Related Parties Administration Agreement*, and *Certain Transactions Investment Advisor and Administrator*.

Compensation of Directors

The following table shows, for the fiscal year ended March 31, 2018, compensation awarded to or paid to our directors who are not executive officers, which we refer to as our non-employee directors, for all services rendered to us during this period. No compensation is paid to directors who are our executive officers for their service on the Board of Directors.

Name	**Aggregate Compensation from the Company**	**Total Compensation From the Company and Fund Complex Paid to Directors**[(1)]
Paul W. Adelgren	$ 39,000	$ 154,000
Michela A. English	$ 38,000	$ 150,000
Caren D. Merrick	$ 45,000	$ 171,000
John H. Outland	$ 52,000	$ 205,540
Anthony W. Parker	$ 49,500	$ 192,000
Walter H. Wilkinson, Jr.	$ 42,000	$ 162,000

(1) Includes compensation the director received from Gladstone Capital, as part of our Fund Complex. Also includes compensation the director received from Gladstone Commercial, our affiliate and a real estate investment trust, and Gladstone Land, our affiliate and a real estate investment trust, although not part of our Fund Complex.

For our fiscal year ended March 31, 2018, as compensation for serving on our Board of Directors, each of our independent directors received an annual fee of $25,000, an additional $1,000 for each Board meeting attended, and an additional $1,000 for each committee meeting attended if such committee meeting took place on

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a day other than when the full Board of Directors met. In addition, the chairperson of the Audit Committee received an annual fee of $7,500, the chairpersons of each of the Compensation and Valuation Committees received an annual fee of $3,000 and the chairperson of the Ethics Committee received an annual fee of $1,000 for their additional services in these capacities. We also reimburse our directors for their reasonable out-of-pocket expenses incurred in attending Board of Directors and committee meetings.

We do not pay any compensation to directors who also serve as our officers, or as officers or directors of our Adviser or our Administrator, in consideration for their service to us. Our Board of Directors may change the compensation of our independent directors in its discretion. None of our independent directors received any compensation from us during the fiscal year ended March 31, 2018 other than for Board of Directors or committee service and meeting fees.

Certain Transactions

Investment Advisor and Administrator

We are externally managed by our Adviser, an affiliate of ours, under the Advisory Agreement and another of our affiliates, the Administrator provides administrative services to us pursuant to 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 serve as executive officers of the Adviser and the Administrator. Our Adviser directly employs personnel that manage our portfolio investments and directly pays our payroll, benefits and general expenses regarding such personnel. 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 of the Administrator) and their respective staffs. In addition to the fees payable under the Advisory Agreement and the Administration Agreement (as described below), we pay our direct expenses, including directors fees, legal and accounting fees and stockholder related expenses. 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 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 principal executive office of the Adviser and Administrator is 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102.

Management Services Provided to Us by our Adviser

Our Adviser is a Delaware corporation registered as an investment adviser under the Advisers Act. Subject to the overall supervision of our Board of Directors, our Adviser provides investment advisory and management services to us. Under the terms of our Advisory Agreement, our Adviser has investment discretion with respect to our capital and, in that regard:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio, and the manner of implementing such changes;

identifies, evaluates, and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies);

closes and monitors the investments we make; and

makes available on our behalf, and provides if requested, managerial assistance to our portfolio companies.

Our Adviser s services under the Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities, provided that its services to us are not impaired.

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Portfolio Management

Our Adviser takes a team approach to portfolio management; however, the following persons are primarily responsible for the day-to-day management of our portfolio and comprise our Adviser s investment committee: David Gladstone, Terry Lee Brubaker and David Dullum, whom we refer to collectively as the Portfolio Managers. Our investment decisions are made on our behalf by the investment committee of our Adviser by unanimous decision.

Mr. Gladstone has served as the chairman and the chief executive officer of the Adviser, since he founded the Adviser in 2002 and on the board of managers of the Administrator since it was founded in 2005. Mr. Brubaker has served as the vice chairman, chief operating officer of the Adviser since 2002 and on the board of managers of the Administrator since 2005. Mr. Dullum has served as an executive managing director of the Adviser since 2008. For more complete biographical information of Messrs. Gladstone, Brubaker and Dullum, please see *Board of Directors Interested Directors* and *Executive Officers and Certain Other Officers who are Not Directors*.

As discussed above, the Portfolio Managers are all officers or directors, or both, of our Adviser, and Messrs. Gladstone and Brubaker are managers of the Administrator. Mr. Gladstone is also the controlling stockholder of the parent company of the Adviser and the Administrator. Although we believe that the terms of the Advisory Agreement and the Administration Agreement are no less favorable to us than those that could be obtained from unaffiliated third parties in arms length transactions, our Adviser and Administrator and their officers and its directors have a material interest in the terms of these agreement. Based on an analysis of publicly available information, the Board of Directors believes that the terms and the fees payable under the Advisory Agreement and the Administration Agreement are similar to those of the agreements between other BDCs that do not maintain equity incentive plans and their external investment advisers and administrators.

Our Adviser and Administrator provide investment advisory and administration services, respectively, to the other Affiliated Public Funds. As such, certain of our Portfolio Managers also are primarily responsible for the day-to-day management of the portfolios of other pooled investment vehicles in the Affiliated Public Funds that are managed by the Adviser. As of the date hereof, Messrs. Gladstone, Brubaker and Robert Marcotte (the president of Gladstone Capital and an executive managing director of the Adviser) are primarily responsible for the day-to-day management of the portfolio of Gladstone Capital, another publicly-traded BDC; Messrs. Gladstone, Brubaker and Robert Cutlip (the president of Gladstone Commercial and an executive managing director of the Adviser) are primarily responsible for the day-to-day management of Gladstone Commercial, a publicly-traded real estate investment trust; and Messrs. Gladstone and Brubaker are primarily responsible for the day-to-day management of Gladstone Land, a publicly traded real estate investment trust. As of March 31, 2018, the Adviser had an aggregate of approximately $2.2 billion in total assets under management in the Company and the Affiliated Public Funds, all of which is subject to performance-based advisory fees and for which Messrs. Gladstone and Brubaker are primarily responsible for the day-to-day management.

Conflicts of Interest

As discussed above, the Portfolio Managers who are our executive officers and directors, and the officers and directors of the Adviser, serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, Mr. Gladstone, our chairman and chief executive officer, is chairman of the board and chief executive officer of the Adviser, the Administrator and the Affiliated Public Funds. In addition, Mr. Brubaker, our vice chairman and chief operating officer, is vice chairman and chief operating officer of the Adviser, the Administrator and the Affiliated Public Funds. Mr. Dullum, our president, is an executive managing director of the

Adviser. Moreover, the Adviser may establish or sponsor other investment vehicles which from time to time may have potentially overlapping investment objectives with ours and accordingly may invest in,

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whether principally or secondarily, asset classes we target. While the Adviser generally has broad authority to make investments on behalf of the investment vehicles that it advises, the Adviser has adopted investment allocation procedures to address these potential conflicts and intends to direct investment opportunities to the Company or the Affiliated Public Fund with the investment strategy that most closely fits the investment opportunity. Nevertheless, the management of the Adviser may face conflicts in the allocation of investment opportunities to other entities managed by the Adviser. As a result, it is possible that we may not be given the opportunity to participate in certain investments made by other funds managed by the Adviser. Our Board of Directors approved a revision of our investment objectives and strategies that became effective on January 1, 2013, which may enhance the potential for conflicts in the allocation of investment opportunities to us and other entities managed by the Adviser.

In certain circumstances, we may make investments in a portfolio company in which one of our affiliates has or will have an investment, subject to satisfaction of any regulatory restrictions and, where required, the prior approval of our Board of Directors. As of March 31, 2018, our Board of Directors has approved the following types of transactions:

- Our affiliate, Gladstone Commercial, may, under certain circumstances, lease property to portfolio companies that we do not control. We may pursue such transactions only if (i) the portfolio company is not controlled by us or any of our affiliates, (ii) the portfolio company satisfies the tenant underwriting criteria of Gladstone Commercial, and (iii) the transaction is approved by a majority of our independent directors and a majority of the independent directors of Gladstone Commercial. We expect that any such negotiations between Gladstone Commercial and our portfolio companies would result in lease terms consistent with the terms that the portfolio companies would be likely to receive were they not portfolio companies of ours.

- We may invest simultaneously with our affiliate Gladstone Capital in senior loans in the broadly syndicated market whereby neither we nor any affiliate has the ability to dictate the terms of the loans.

- Pursuant to the Co-Investment Order, under certain circumstances, we may co-invest with Gladstone Capital and any future BDC or closed-end management investment company that is advised by the Adviser (or sub-advised by the Adviser if it controls the fund) or any combination of the foregoing subject to the conditions included therein.

Certain of our officers, who are also officers of the Adviser, may from time to time serve as directors of certain of our portfolio companies. If an officer serves in such capacity with one of our portfolio companies, such officer will owe fiduciary duties to stockholders of the portfolio company, which duties may from time to time conflict with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to the Adviser and will reimburse the Administrator for certain expenses it incurs. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through our investors themselves making direct investments. As a result of this arrangement, there may be times when the management team of the Adviser has interests that differ from those of our stockholders, giving rise to a conflict. In addition, as a BDC, we make available significant managerial assistance to our portfolio companies and provide other services to such portfolio companies. While neither we nor the Adviser currently receive fees in connection with managerial assistance, the Adviser and Gladstone Securities have, at various times, provided other services to certain of our portfolio companies and received fees for services other than managerial assistance as discussed in *Business Ongoing Management of Investments and Portfolio Company Relationships Managerial Assistance and Services.*

Portfolio Manager Compensation

The Portfolio Managers receive compensation from our Adviser in the form of a base salary plus a bonus. Each Portfolio Manager s base salary is determined by a review of salary surveys for persons with comparable

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experience who are serving in comparable capacities in the industry. Each Portfolio Manager s base salary is set and reviewed yearly. Like all employees of the Adviser, a Portfolio Manager s bonus is tied to the post-tax performance of the Adviser and the entities that it advises. A Portfolio Manager s bonus increases or decreases when the Adviser s income increases or decreases. The Adviser s income, in turn, is directly tied to the management and incentive fees earned in managing its investment funds, including Gladstone Investment. Pursuant to the Advisory Agreement, the Adviser receives a base management fee and an incentive fee based on net investment income in excess of the hurdle rates and capital gains as set out in the Advisory Agreement. During the fiscal years ended March 31, 2018, 2017 and 2016, we incurred net fees of approximately $13.4 million, $11.2 million and $12.0 million, respectively, to our Adviser under the Advisory Agreement. See *Business Transactions with Related Parties Investment Advisory and Management Agreement* for a full discussion of how such fees are computed and paid.

Administrator Compensation

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. During the fiscal years ended March 31, 2018, 2017 and 2016, we incurred total fees of approximately $1.1 million, $1.1 million and $1.2 million, respectively, to our Administrator under the Administration Agreement. See *Business Transactions with Related Parties Administration Agreement* for more information about how these fees are calculated.

Duration and Termination

Unless terminated earlier as described below, the Advisory Agreement and the Administration Agreement will remain in effect from year to year if approved annually by our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. On July 11, 2017, we renewed the Advisory Agreement and the Administration Agreement through August 31, 2018. The Board of Directors considered the following factors as the basis for its decision to renew the Advisory Agreement: (1) the nature, extent and quality of services provided by the Adviser to our stockholders; (2) the investment performance of the Company and the Adviser, (3) the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Company, (4) the extent to which economies of scale will be realized as the Company and the Affiliated Public Funds grow and whether the fee level under the Advisory Agreement reflects the economies of scale for the Company s investors, (5) the fee structure of the advisory and administrative agreements of comparable funds, and (6) indirect profits to the Adviser created through the Company and (7) in light of the foregoing considerations, the overall fairness of the advisory fee paid under the Advisory Agreement.

The Advisory Agreement will automatically terminate in the event of its assignment. The Advisory Agreement may be terminated by either party without penalty upon 60 days written notice to the other. See *Risk Factors Risks Related to our External Management We are dependent upon our key management personnel and the key management personnel of the Adviser, particularly David Gladstone, David Dullum and Terry Lee Brubaker, and on the continued operations of the Adviser, for our future success.*

Indemnification

The Advisory Agreement and the Administration Agreement each provide that, absent willful misfeasance, bad faith, or gross negligence in the performance of their respective duties or by reason of the reckless disregard of their respective duties and obligations, our Adviser and our Administrator, as applicable, and their respective officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with them are entitled to indemnification from us for any damages, liabilities, costs, and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from the rendering of our Adviser s services under the Advisory Agreement or otherwise as an investment adviser of us and from the

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rendering of our Administrator s services under the Administration Agreement or otherwise as an administrator for us, as applicable.

In our certificate of incorporation and bylaws, we have also agreed to indemnify certain officers and directors by providing, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as our director, officer or other agent, to the fullest extent permitted under Delaware law and our bylaws. Notwithstanding the foregoing, the indemnification provisions shall not protect any officer or director from liability to us or our stockholders as a result of any action that would constitute willful misfeasance, bad faith or gross negligence in the performance of such officer s or director s duties, or reckless disregard of his or her obligations and duties.

Loan Servicing Fee Pursuant to Credit Facility

The Adviser also services the loans held by our wholly-owned subsidiary, Business Investment (the borrower under our 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 our Credit Facility. Since Business Investment is our consolidated subsidiary and 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 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.

Other Transactions

Mr. Gladstone also serves on the board of managers of our affiliate, Gladstone Securities, a privately-held broker-dealer registered with the FINRA and insured by the Securities Investor Protection Corporation. Gladstone Securities is 100% indirectly owned and controlled by Mr. Gladstone and 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* included elsewhere in this prospectus.

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CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

The following table sets forth, as of May 18, 2018 (unless otherwise indicated), the beneficial ownership of each current director, each of the named executive officers, each of the Portfolio Managers that are not also directors, the executive officers and directors as a group and each stockholder known to our management to own beneficially more than 5% of the outstanding shares of common stock. Except as otherwise noted, the address of the individuals below is c/o Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia, 22102.

Beneficial Ownership of Voting Securities(1)(2)

Name and Address	Number of Shares of Common Stock	Percent of Total Common Stock	Number of Preferred Stock	Percent of Total Preferred Stock
Directors:				
Paul W. Adelgren	6,610	*%		%
Terry L. Brubaker	47,497	*%		%
Michela A. English	1,388	*%		%
David Gladstone	645,973	1.97%		%
Caren D. Merrick	1,965(3)	*%		%
John H. Outland	3,689	*%		%
Anthony W. Parker	13,060	*%		%
Walter H. Wilkinson, Jr.	15,002	*%		%
Named Executive Officers (that are not also Directors):				
Julia Ryan				%
All executive officers and directors as a group (10 persons)	822,751	2.51%		%
5% Stockholders:				
Karpus Management, Inc.(4)			784,281	15.26%
RiverNorth Capital Management, LLC(5)			128,627	9.19%

* Less than 1%

(1) This table is based upon information supplied by officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and sole investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 32,822,459 shares outstanding on May 18, 2018.

(2) Ownership calculated in accordance with Rule 13d-3 of the Exchange Act.

(3) Includes 1,388 shares that are pledged as collateral in connection with a margin account.

(4) This information has been obtained from a Schedule 13G/A filed by Karpus Management, Inc. (Karpus) on February 14, 2018, according to which Karpus has sole voting and sole investment powers with respect to all 784,281 shares of preferred stock reported as beneficially owned. The address of Karpus s principal place of business is 183 Sully s Trail, Pittsford, New York 14534.

(5)

This information has been obtained from a Schedule 13G filed by RiverNorth Capital Management, LLC (RiverNorth) on February 14, 2018, according to which RiverNorth has sole voting sole dispositive powers with respect to all 128,627 shares of Term Preferred Stock reported as beneficially owned. The address of RiverNorth s principal place of business is 325 N. LaSalle Street, Suite 645, Chicago, Illinois 60654-7030.

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The following table sets forth, as of May 18, 2018, the dollar range of equity securities that are beneficially owned by each of our directors and each of our Portfolio Managers that is not also a director in the Company.

Name	Dollar Range of Equity Securities of the Company Owned by Directors(1)(2)
Interested Directors:	
David Gladstone	Over $1,000,000
Terry Lee Brubaker	Over $1,000,000
Independent Directors:	
Paul W. Adelgren	$10,001-$50,000
Michela A. English	$10,001-$50,000
Caren D. Merrick	$10,001-$50,000
John H. Outland	$10,001-$50,000
Anthony Parker	$50,001-$100,000
Walter H. Wilkinson, Jr.	$50,001-$100,000
Portfolio Managers (that are not also Directors):	
David A.R. Dullum	$500,001-$1,000,000

(1) Ownership is calculated in accordance with Rule 16-1(a)(2) of the Exchange Act.
(2) The dollar range of equity securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on Nasdaq as of May 18, 2018, times the number of shares of the respective class so beneficially owned and aggregated accordingly.

Gladstone Capital, our affiliate and a BDC, is also managed by our Adviser. The following table sets forth certain information regarding the ownership of the common stock of Gladstone Capital as of May 18, 2018, by each independent incumbent director and nominee. None of our independent directors owns any securities of Gladstone Capital, other than the common stock listed below.

Name	Number of Common Shares	Percent of Class	Value of Securities(1)
Independent Directors:			
Paul W. Adelgren	9,034	*	$ 82,847
Michela A. English(2)	1,588	*	$ 14,568
Caren D. Merrick	2,835	*	$ 25,997
John H. Outland	2,569	*	$ 23,558
Anthony Parker		*	$
Walter H. Wilkinson, Jr.	14,107	*	$ 129,365

* Less than 1%
(1)

Ownership calculated in accordance with Rule 16a-1(a)(2) of the Exchange Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on Nasdaq as of May 18, 2018, times the number of shares of the respective class so beneficially owned and aggregated accordingly.

(2) Includes 1,588 shares that are pledged as collateral in connection with a margin account.

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Gladstone Commercial, our affiliate and a real estate investment trust, is also managed by our Adviser. The following table sets forth certain information regarding the ownership of the common stock of Gladstone Commercial as of May 18, 2018, by each independent incumbent director and nominee. None of our independent directors owns any securities of Gladstone Commercial, other than the common stock listed below.

Name	Number of Common Shares	Percent of Class	Value of Securities[1]
Independent Directors:			
Paul W. Adelgren	10,113	*	$ 184,776
Michela A. English[2]	2,111	*	$ 38,570
Caren D. Merrick	2,816	*	$ 51,448
John H. Outland	2,321	*	$ 42,405
Anthony Parker	29,316	*	$ 535,618
Walter H. Wilkinson, Jr.	7,852	*	$ 146,467

* Less than 1%

(1) Ownership calculated in accordance with Rule 16a-1(a)(2) of the Exchange Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on Nasdaq as of May 18, 2018, times the number of shares of the respective class so beneficially owned and aggregated accordingly.

(2) Includes 2,111 shares that are pledged as collateral in connection with a margin account.

Gladstone Land, our affiliate and a real estate investment trust, is also managed by our Adviser. The following table sets forth certain information regarding the ownership of the common stock of Gladstone Land as of May 18, 2018, by each independent incumbent director and nominee. None of our independent directors owns any securities of Gladstone Land, other than the common stock listed below.

Name	Number of Common Shares	Percent of Class	Value of Securities[1]
Independent Directors:			
Paul W. Adelgren	10,442	*	$ 132,826
Michela A. English[2]	1,230	*	$ 15,647
Caren D. Merrick	4,432	*	$ 56,375
John H. Outland	1,791	*	$ 22,782
Anthony Parker	5,631	*	$ 71,629
Walter H. Wilkinson, Jr.	9,879	*	$ 125,669

* Less than 1%

(1) Ownership calculated in accordance with Rule 16a-1(a)(2) of the Exchange Act. The value of securities beneficially owned is calculated by multiplying the closing price of the respective class as reported on Nasdaq of May 18, 2018, times the number of shares of the respective class so beneficially owned and aggregated

accordingly.

(2) Includes 1,230 shares that are pledged as collateral in connection with a margin account.

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DIVIDEND REINVESTMENT PLAN

Our transfer agency and services agreement with our transfer agent, Computershare, authorizes Computershare to provide a dividend reinvestment plan that allows for reinvestment of our distributions on behalf of our common stockholders upon their election as provided below. As a result, if our Board of Directors authorizes, and we declare, a cash dividend, then our common stockholders who have opted in to the dividend reinvestment plan will not receive cash dividends but, instead, such cash dividends will automatically be reinvested in additional shares of our common stock.

Pursuant to the dividend reinvestment plan, if your shares of our common stock are registered in your own name you can have all distributions reinvested in additional shares of our common stock by Computershare, as the plan agent, if you enroll in the dividend reinvestment plan by delivering an enrollment form to the plan agent prior to the corresponding dividend record date, available at *www.computershare.com/investor*. The plan agent will effect purchases of our common stock under the dividend reinvestment plan in the open market.

If you do not elect to participate in the dividend reinvestment plan, you will receive all distributions in cash paid by check mailed directly to you (or if you hold your shares in street or other nominee name, then to your nominee) as of the relevant record date, by the plan agent, as our distribution disbursing agent. If your shares are held in the name of a broker or nominee, you can transfer the shares into your own name and then enroll in the dividend reinvestment plan or contact your broker or nominee to determine if they offer a dividend reinvestment plan.

The plan agent serves as agent for the holders of our common stock in administering the dividend reinvestment plan. After we declare a dividend, the plan agent will, as agent for the participants, receive the cash payment and use it to buy common stock on Nasdaq or elsewhere for the participants accounts. The price of the shares will be the weighted average price of all shares purchased by the plan agent on such trade date or dates.

Participants in the dividend reinvestment plan may withdraw from the dividend reinvestment plan at any time by contacting Computershare online at *www.computershare.com/investor*, via telephone at 781-575-2000 or by mailing a request to 250 Royall Street, Canton, Massachussets 02021 or by selling or transferring all applicable shares. If the plan agent receives a request to withdraw near a dividend record date, the plan agent, in its sole discretion, may either distribute such dividends in cash or reinvest the shares on behalf of the withdrawing participant. If such dividends are reinvested, the plan agent will process the withdrawal as soon as practicable, but in no event later than five business days after the reinvestment is completed.

The plan agent will maintain each participant s account in the dividend reinvestment plan and will furnish periodic written confirmations of all transactions in such account, including information needed by the stockholder for personal and tax records. Common stock in the account of each dividend reinvestment plan participant will be held by the plan agent in non-certificated form in the name of such participant; however participants may request that such shares be certificated in their name. The plan agent will provide proxy materials relating to our stockholders meetings that will include those shares purchased through the plan agent, as well as shares held pursuant to the dividend reinvestment plan.

We pay the plan agent s fees for the handling or reinvestment of dividends and other distributions. 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 of $15.00 for each batch order sale and $25.00 for each market order, day limit order and good-til-canceled limit order sale, plus brokerage commissions of $0.10 per share, from the proceeds. The participants in the dividend reinvestment plan will also bear a transaction fee of up to $5.00, plus per share brokerage commissions of $0.10, incurred with respect to open market purchases.

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Distributions are taxable whether paid in cash or reinvested in additional shares, and the reinvestment of distributions pursuant to the dividend reinvestment plan will not relieve participants of any U.S. federal income tax or state income tax that may be payable or required to be withheld on such distributions. For more information regarding taxes that our stockholders may be required to pay, see *Material U.S. Federal Income Tax Considerations.*

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

RIC Status

To qualify for treatment as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, at least 90% of our taxable ordinary income plus the excess of our Investment Company Taxable Income. We refer to this as the annual distribution requirement. We must also meet several additional requirements, including:

Business Development Company status: At all times during the taxable year, we must maintain our status as a BDC.

Income source requirements: At least 90% of our gross income for each taxable year must be from dividends, interest, payments with respect to securities loans, gains from sales or other dispositions of securities or other income derived with respect to our business of investing in securities, and net income derived from an interest in a qualified, publicly-traded partnership.

Asset diversification requirements: As of the close of each quarter of our taxable year: (1) at least 50% of the value of our assets must consist of cash, cash items, U.S. government securities, the securities of other regulated investment companies and other securities to the extent that (a) we do not hold more than 10% of the outstanding voting securities of an issuer of such other securities and (b) such other securities of any one issuer do not represent more than 5% of our total assets (the 50% threshold), and (2) no more than 25% of the value of our total assets may be invested in the securities of one issuer (other than U.S. government securities or the securities of other regulated investment companies), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified, publicly-traded partnerships.

Failure to Qualify as a RIC

If we are unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions would be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder s adjusted tax basis, and then as a gain realized from the sale or exchange of property. If we fail to meet the RIC requirements for more than two consecutive years and then seek to requalify as a RIC, we generally would be subject to corporate-level federal income tax on any unrealized appreciation with respect to our assets to the extent that any such unrealized appreciation is recognized during the five-year period commencing on the first date on which we requalify as a RIC.

Qualification as a RIC

If we qualify as a RIC and distribute to stockholders each year in a timely manner at least 90% of our Investment Company Taxable Income, we will not be subject to federal income tax on the portion of our taxable income and gains we distribute to stockholders. We would, however, be subject to a 4% nondeductible federal excise tax if we do not distribute, actually or on a deemed basis, an amount at least equal to the sum of (i) 98% of our ordinary income for the calendar year, (ii) 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 (iii) any ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. For the calendar years ended December 31, 2017, 2016 and 2015, we incurred $0.2 million, $0.4 million and $0.2 million, respectively, in excise taxes. As of March 31, 2018, our capital loss carryforward was $0.

We will be subject to regular corporate income tax, currently a flat rate of 21%, on any income that is not distributed or deemed to be distributed, including both ordinary income and capital gains. We may retain some or

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all of our net long-term capital gains, if any, retain and designate them as deemed distributions, or distribute such capital gains to stockholders in cash. If we retain long-term capital gains, we will be subject to federal and state income taxes on such retained capital gains. If we deem long-term capital gains to be distributed, among other consequences, we will pay federal tax on the retained net long-term capital gains, each stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the stockholder, and the stockholder will be entitled to claim a credit or refund equal to its allocable share of the tax we pay on the retained long-term capital gain. The amount of the deemed distribution, net of such tax, will be added to the stockholder s tax basis for its stock. We expect to pay federal tax on any retained long-term capital gains at regular corporate tax rates, and therefore, if that rate is in excess of the marginal income tax rate payable by a particular individual stockholder on long-term capital gains, the amount of tax that such individual stockholder will be treated as having paid will exceed the tax they owe on the capital gain dividend and such excess may be claimed as a credit or refund against the stockholder s other tax obligations. A stockholder that is not subject to U.S. federal income tax or tax on long-term capital gains would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to the stockholders after the close of the relevant tax year. As of March 31, 2018, we have never made a deemed distribution.

Taxation of Our U.S. Stockholders

Distributions

For any period during which we qualify as a RIC for federal income tax purposes, distributions to our stockholders attributable to our Investment Company Taxable Income generally will be taxable as ordinary income to stockholders to the extent of our current or accumulated earnings and profits. We first allocate our earnings and profits to distributions to our preferred stockholders and then to distributions to our common stockholders based on priority in our capital structure. Any distributions in excess of our earnings and profits will first be treated as a return of capital to the extent of the stockholder s adjusted basis in his or her shares of stock and thereafter as gain from the sale of shares of our stock. Distributions of our long-term capital gains, reported by us as such, will be taxable to stockholders as long-term capital gains regardless of the stockholder s holding period of the stock and whether the distributions are paid in cash or invested in additional stock. Corporate stockholders are generally eligible for the 50% dividends received deduction with respect to dividends received from us, other than capital gains dividends, but only to the extent such amount is attributable to dividends received by us from taxable domestic corporations.

A RIC that has two or more classes of stock generally is required to allocate to each class proportionate amounts of each type of its income (such as ordinary income, capital gains, qualified dividend income and dividends qualifying for the dividends-received deduction) based upon the percentage of total distributions paid to each class for the tax year. Accordingly, we intend to allocate capital gain distributions, distributions of qualified dividend income, and distributions qualifying for the dividends-received deduction, if any, between our common shares and preferred shares in proportion to the total distributions paid to each class with respect to such tax year.

Any distribution declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it were paid by us and received by the stockholders on December 31 of the previous year. In addition, we may elect (in accordance with Section 855(a) of the Code) to relate a distribution back to the prior taxable year if we (1) declare such distribution prior to the later of the extended due date for filing our return for that taxable year or the 15th day of the ninth month following the close of the taxable year, (2) make the election in that return, and (3) distribute the amount in the 12-month period following the close of the taxable year but not later than the first regular distribution payment of the same type following the declaration. Any such election will not alter the general rule that a stockholder will be treated as receiving a distribution in the taxable year in which the distribution is made, subject to the October, November, December rule described above. As of March 31, 2018, our Section 855(a) distributions were $8.4 million.

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If a common stockholder participates in our opt in dividend reinvestment plan, any distributions reinvested under the plan will be taxable to the common stockholder to the same extent, and with the same character, as if the common stockholder had received the distribution 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 common shares will have a new holding period commencing on the day following the day on which the shares are credited to the common stockholder s account. The plan agent purchases shares in the open market in connection with the obligations under the plan. We do not have a dividend reinvestment plan for our preferred stockholders.

Sale of Our Shares

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of the shares of our common or preferred stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held the shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. Under the tax laws in effect as of the date of this filing, individual U.S. stockholders are subject to a maximum federal income tax rate of 20% on their net capital gain (i.e. the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year) including any long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the same rates applied to their ordinary income (currently 21%). Capital losses are subject to limitations on use for both corporate and non-corporate stockholders. Certain U.S. stockholders who are individuals, estates or trusts generally are subject to a 3.8% Medicare tax on, among other things, dividends on and capital gain from the sale or other disposition of shares of our stock.

Backup Withholding and Other Required Withholding

We may be required to withhold federal income tax, or backup withholding, currently at a rate of 24%, from all taxable distributions to any non-corporate U.S. stockholder (i) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (ii) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual s taxpayer identification number is generally his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder s federal income tax liability, provided that proper information is provided to the IRS.

The Foreign Account Tax Compliance Act imposes a federal withholding tax on certain types of payments made to foreign financial institutions and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligation requirements are satisfied. Under delayed effective dates provided for in the Treasury Regulations and other IRS guidance, such required withholding will not begin until January 1, 2019 with respect to gross proceeds from a sale or other disposition of our stock.

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REGULATION AS A BUSINESS DEVELOPMENT COMPANY

We are a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under Section 54 of the 1940 Act. As such, we are subject to regulation under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than interested persons, as defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities, as defined in the 1940 Act.

We intend to conduct our business so as to retain our status as a BDC. A BDC may use capital provided by public stockholders and from other sources to make long-term investments in private companies. A BDC provides stockholders the ability to retain the liquidity of a publicly-traded stock, while sharing in the possible benefits, if any, of investing in primarily privately owned companies. In general, a BDC must have been organized and have its principal place of business in the U.S. and must be operated for the purpose of making investments in qualifying assets, as described in Sections 55(a)(1) through (a)(3) of the 1940 Act.

Qualifying Assets

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets, other than certain interests in furniture, equipment, real estate, or leasehold improvements (Operating Assets) represent at least 70% of total assets, exclusive of Operating Assets. The types of qualifying assets in which we may invest under the 1940 Act include, but are not limited to, the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer is an eligible portfolio company. An eligible portfolio company is generally defined in the 1940 Act as any issuer which:

(a) Is organized under the laws of, and has its principal place of business in, any state or states in the U.S.;

(b) Is not an investment company (other than a small business investment company wholly owned by the BDC or otherwise excluded from the definition of investment company); and

(c) Satisfies one of the following:

(i) It does not have any class of securities with respect to which a broker or dealer may extend margin credit;

(ii) It is controlled by the BDC and for which an affiliate of the BDC serves as a director;

(iii) It has total assets of not more than $4 million and capital and surplus of not less than $2 million;

(iv) It does not have any class of securities listed on a national securities exchange; or

(v) It has a class of securities listed on a national securities exchange, with an aggregate market value of outstanding voting and non-voting equity of less than $250 million.

(2) Securities received in exchange for or distributed on or with respect to securities described in (1) above, or pursuant to the exercise of options, warrants or rights relating to such securities.

(3) Cash, cash items, government securities or high quality debt securities maturing in one year or less from the time of investment.

As of March 31, 2018, 99.7% of our assets were qualifying assets.

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Asset Coverage

Pursuant to Section 61(a) of the 1940 Act, we are permitted, under specified conditions, to issue multiple classes of senior securities representing indebtedness. However, pursuant to Section 18(c) of the 1940 Act, we are permitted to issue only one class of senior securities that is stock. In either case, we may only issue such senior securities if such class of senior securities, after such issuance, has an asset coverage, as defined in Section 18(h) of the 1940 Act, of at least 200% (currently) or 150% (effective April 10, 2019; refer to *Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Recent Developments Small Business Credit Availability Act* for a discussion of changes to the asset coverage requirements pursuant to the SBCAA).

In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to holders of any class of our capital stock would be restricted if our senior securities representing indebtedness fail to have an asset coverage of at least 200% (measured at the time of declaration of such distribution and accounting for such distribution). The 1940 Act does not apply this limitation to privately arranged debt that is not intended to be publicly distributed, unless this limitation is specifically negotiated by the lender. In addition, our ability to pay dividends or distributions (other than dividends payable in our common stock) to our common stockholders would be restricted if our senior securities that are stock fail to have an asset coverage of at least 200% (measured at the time of declaration of such distribution and accounting for such distribution). If the value of our assets declines, we might be unable to satisfy these asset coverage requirements. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our portfolio to repay a portion of our indebtedness or (ii) issue common stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering costs will not be available for distributions to our stockholders. If we are unable to regain asset coverage through these methods, we may be forced to suspend the payment of such dividends or distributions. See *Risk Factors Risks Related to Our External Financing Because we expect to distribute substantially all of our Investment Company Taxable Income on an annual basis, our business plan is dependent upon external financing, which is constrained by the limitations of the 1940 Act.*

Significant Managerial Assistance

A BDC generally must make available significant managerial assistance to issuers of certain of its portfolio securities that the BDC counts as a qualifying asset for the 70% test described above. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. Significant managerial assistance also includes the exercise of a controlling influence over the management and policies of the portfolio company. However, with respect to certain, but not all such securities, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance, or the BDC may exercise such control jointly.

Code of Ethics

We and all of the Gladstone family of companies, have adopted a code of ethics and business conduct applicable to all of the officers, directors and personnel of such companies that complies with the guidelines set forth in Item 406 of Regulation S-K of the Securities Act of 1933 and Rule 17j-1 of the 1940 Act. As required by the 1940 Act, this code establishes procedures for personal investments, restricts certain transactions by such personnel and requires the reporting of certain transactions and holdings by such personnel. This code of ethics and business conduct is publicly available on our website at www.gladstoneinvestment.com under Investor Relations Corporate Governance or at the

SEC s Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-202-942-8090. In addition, this code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part and is also available on the EDGAR Database on the SEC s website at *www.sec.gov*. You may also obtain copies of the code of ethics, after paying a duplication fee, by electronic request to publicinfo@sec.gov, or by writing the SEC s Public Reference Section, Washington, D.C. 20549-0102. We intend to provide any required disclosure of any amendments to or waivers of the provisions of this code by posting information regarding any such amendment or waiver to our website within four days of its effectiveness in a Current Report on Form 8-K.

Compliance Policies and Procedures

We and the Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws, and our Board of Directors is required to review these compliance policies and procedures annually to assess their adequacy and the effectiveness of their implementation. We have designated a chief compliance officer, John Dellafiora, Jr., who also serves as chief compliance officer for all of our Gladstone affiliates.

Co-Investment

In an order dated July 26, 2012, the SEC granted us the relief sought in the exemptive application we had previously filed with the SEC that expands our ability to co-invest with certain affiliates by permitting us, under certain circumstances, to co-invest with Gladstone Capital and any future BDC or closed-end management investment company that is advised by our Adviser (or sub-advised by the Adviser if it controls the fund) or any combination of the foregoing.

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DESCRIPTION OF OUR SECURITIES

Our authorized capital stock consists of 100,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share.

The following are our outstanding classes, and series thereof, of Securities as of June 1, 2018.

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by us or for Our Account	(4) Amount Outstanding Exclusive of Amounts Shown Under(3)
Common Stock	100,000,000		32,822,459
Series B Term Preferred Stock	1,656,000		1,656,000
Series C Term Preferred Stock	1,700,000		1,610,000
Series D Term Preferred Stock	3,000,000		2,300,000

The following description is a summary based on relevant provisions of our certificate of incorporation and bylaws and the Delaware General Corporation Law. This summary does not purport to be complete and is subject to, and qualified in its entirety by the provisions of our certificate of incorporation and bylaws, as amended, and applicable provisions of the Delaware General Corporation Law.

Common Stock

As of June 1, 2018, we had 32,822,459 shares of common stock outstanding. All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of a liquidation, dissolution or winding up of Gladstone Investment, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors (other than the two directors that are elected exclusively by holders of the Term Preferred Stock), and holders of less than a majority of such shares will be unable to elect any director. Our common stock is listed on Nasdaq under the ticker symbol GAIN.

Preferred Stock

Our certificate of incorporation gives the Board of Directors the authority, without further action by stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon such preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, and liquidation preference, any or all of which may be greater than the rights of the common stock. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that such holders will receive dividend payments and payments upon liquidation, and could also decrease the market price of our common stock.

You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other Senior Securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. We believe that our ability to issue preferred stock provides us with increased flexibility in structuring future financings. If we offer additional preferred stock under this prospectus, we will issue an appropriate prospectus supplement. You should read that prospectus supplement for a description of such preferred stock, including whether there will be an arrearage in the payment of dividends or sinking fund installments, if any, restrictions with respect to the declaration of dividends, requirements in connection with the maintenance of any ratio or assets, or creation or maintenance of reserves, or provisions for permitting or restricting the issuance of additional Securities.

Term Preferred Stock

Of the 10,000,000 shares of our capital stock designated as preferred stock, 1,656,000 of such shares are designated as Series B Term Preferred Stock, 1,700,000 of such shares are designated as Series C Term Preferred Stock and 3,000,000 are designated as Series D Term Preferred Stock. As of June 1, 2018, we had 1,656,000 shares of Series B Term Preferred Stock outstanding, 1,610,000 shares of Series C Term Preferred Stock outstanding and 2,300,000 shares of Series D Term Preferred Stock outstanding. Shares of our Series B Term Preferred Stock, Series C Term Preferred Stock and Series D Term Preferred Stock are traded on Nasdaq under the trading symbols GAINO, GAINN, and GAINM, respectively.

The following is a summary of the material terms of each series of our Term Preferred Stock. The following summary is qualified in its entirety, with respect to each series, by reference to the Certificate of Designation of the 6.75% Series B Cumulative Term Preferred Stock, the Certificate of Designation of the 6.50% Series C Cumulative Term Preferred Stock due 2022 and the Certificate of Designation of the 6.25% Series D Cumulative Term Preferred Stock due 2023, which are each filed as an exhibit to the registration statement of which this prospectus is a part:

Dividend Rights

The holders of Series B Term Preferred Stock are entitled to monthly dividends in the amount of 6.75% per annum on the stated liquidation preference of the Series B Term Preferred Stock, or $0.1406250. The holders of Series C Term Preferred Stock are entitled to monthly dividends in the amount of 6.50% per annum on the stated liquidation preference of the Series C Term Preferred Stock, or $0.1354170. The holders of Series D Term Preferred Stock are entitled to monthly dividends in the amount of 6.25% per annum on the stated liquidation preference of Series D Term Preferred Stock, or $0.13020833 per share. We are prohibited from issuing dividends or making distributions to the holders of our common stock while any shares of Term Preferred Stock are outstanding, unless all accrued and unpaid dividends on the Term Preferred Stock are paid in their entirety.

In the event that we fail to pay dividends on or to redeem the Series B Term Preferred Stock or Series C Term Preferred Stock, when required, the dividend rate with respect to such series shall increase by 4% per annum until such default is cured. In the event that we fail to pay dividends on or to redeem the Series D Term Preferred Stock when required, the dividend rate with respect to such series shall increase by 3% per annum until such default is cured.

Voting Rights

The holders of the Term Preferred Stock are entitled to one vote per share and do not have cumulative voting. The holders of the Term Preferred Stock generally vote together with the holders of our common stock,

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except that the holders of the Term Preferred Stock have the right to elect two of our directors. Furthermore, during any period that we owe accumulated dividends, whether or not earned or declared, on our Term Preferred Stock equal to at least two full years of dividends, the holders of Term Preferred Stock will have the right to elect a majority of our Board of Directors.

Liquidation Rights

In the event of a dissolution, liquidation or winding up of our affairs, the Term Preferred Stock has a liquidation preference over our common stock equal to $25 per share, plus all unpaid dividends and distributions accumulated to (but excluding) the date fixed for payment on such shares.

Redemption

The Series B Term Preferred Stock has a mandatory redemption date of December 31, 2021. The Series C Term Preferred has a mandatory redemption date of May 31, 2022. The Series D Term Preferred Stock has a mandatory redemption date of September 30, 2023. However, if we fail to maintain asset coverage as required by the 1940 Act, of at least 200%, we will be required to redeem a portion of the Term Preferred Stock to enable us to meet the required asset coverage at a price per share equal to the liquidation preference plus all accumulated and unpaid dividends and distributions. In the event of a change of control, we will also be required to redeem the shares of Term Preferred Stock at a price per share equal to the liquidation preference plus all accumulated and unpaid dividends and distributions.

We have the option to redeem shares of the Series B Term Preferred Stock or the Series C Term Preferred Stock at any time, with no redemption premium. We have the option to redeem shares of Series D Term Preferred Stock at any time after September 30, 2018, with no redemption premium.

Subscription Rights

General

We may issue subscription rights to our stockholders to purchase common stock or preferred stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting arrangement with one or more underwriters pursuant to which such underwriters would purchase any offered Securities remaining unsubscribed after such subscription rights offering to the extent permissible under applicable law. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering.

The applicable prospectus supplement would describe the following terms of subscription rights in respect of which this prospectus is being delivered:

- the period of time the offering would remain open (which in no event would be less than fifteen business days);

the title of such subscription rights;

the exercise price for such subscription rights;

the ratio of the offering (which in no event would exceed one new share of common stock for each three rights held);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable;

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- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights;
- the date on which the right to exercise such subscription rights shall commence, and the date on which such rights shall expire (subject to any extension);
- the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities;
- if applicable, the material terms of any standby underwriting or other purchase arrangement that we may enter into in connection with the subscription rights offering; and
- any other terms of such subscription rights, including terms, procedures and limitations relating to the exchange and exercise of such subscription rights.

Exercise of Subscription Rights

Each subscription right would entitle the holder of the subscription right to purchase for cash such amount of shares of common stock, or preferred stock, at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised at any time up to the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights would become void.

Subscription rights may be exercised as set forth in the prospectus supplement relating to the subscription rights offered thereby. Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. We may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby underwriting arrangements, as set forth in the applicable prospectus supplement.

Warrants

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common or preferred stock or other equity or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

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- if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

- In the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which such principal amount may be purchased upon such exercise;

- In the case of warrants to purchase common stock or preferred stock, the number of shares of common or preferred stock purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

- the date on which the right to exercise such warrants shall commence and the date on which such right will expire;

- whether such warrants will be issued in registered form or bearer form;

- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

- if applicable, the date on and after which such warrants and the related securities will be separately transferable;

- information with respect to book-entry procedures, if any;

- the terms of the securities issuable upon exercise of the warrants;

- if applicable, a discussion of certain U.S. federal income tax considerations; and

- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including the right to receive distributions or dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants (except for warrants expiring not later than 120 days after issuance and issued exclusively and ratably to a class of our security holders) on the condition that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value of the securities underlying the warrants at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants (our stockholders approved such a proposal to issue long-term rights, including warrants, in connection with our 2008 annual meeting of stockholders) and a required majority of our Board of Directors approves such issuance on the basis that the issuance is in the best interests of Gladstone Investment and our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. A required majority of our Board of Directors is a vote of both a majority of our directors who have no financial interest in the transaction and a majority of the directors who are not interested persons of the company. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, options and subscription rights at the time of issuance may not exceed 25% of our outstanding voting securities.

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Debt Securities

Any debt securities that we issue may be senior or subordinated in priority of payment. We have no present plans to issue any debt securities. If we offer debt securities under this prospectus, we will provide a prospectus supplement that describes the ranking, whether senior or subordinated, the specific designation, the aggregate principal amount, the purchase price, the maturity, the redemption terms, the interest rate or manner of calculating the interest rate, the time of payment of interest, if any, the terms for any conversion or exchange, including the terms relating to the adjustment of any conversion or exchange mechanism, the listing, if any, on a securities exchange, the name and address of the trustee and any other specific terms of the debt securities.

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CERTAIN PROVISIONS OF DELAWARE LAW AND OF OUR

CERTIFICATE OF INCORPORATION AND BYLAWS

The following description of certain provisions of Delaware law and of our certificate of incorporation and bylaws, as amended, is only a summary. For a complete description, we refer you to the Delaware General Corporation Law, our certificate of incorporation and our bylaws. We have filed our amended and restated certificate of incorporation and bylaws, as amended, as exhibits to the registration statement of which this prospectus is a part.

Classified Board of Directors

Pursuant to our bylaws, as amended, our Board of Directors is divided into three classes of directors. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. The holders of outstanding shares of any preferred stock, including Term Preferred Stock, are entitled, as a class, to the exclusion of the holders of all other securities and classes of common stock, to elect two of our directors at all times (regardless of the total number of directors serving on the Board of Directors). We refer to these directors as the Preferred Directors. The holders of outstanding shares of common stock and preferred stock, voting together as a single class, elect the balance of our directors. Any director elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualified. We believe that the classification of our Board of Directors helps to assure the continuity and stability of our business strategies and policies as determined by our directors. Holders of shares of our stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of our stockholders, the holders of a plurality of the combined shares of common stock and preferred stock are able to elect all of the successors to the class of directors whose term expires at such meeting (other than the Preferred Directors, who will be elected by the holders of a plurality of the preferred stock).

Our classified board could have the effect of making the replacement of incumbent directors more time consuming and difficult. Because our directors may only be removed for cause, at least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our Board of Directors. Thus, our classified board could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us or another transaction that might involve a premium price for our common stock that might be in the best interest of our stockholders.

Removal of Directors

Any director may be removed only for cause by the stockholders upon the affirmative vote of at least two-thirds of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

Business Combinations

Section 203 of the Delaware General Corporation Law generally prohibits business combinations between us and an interested stockholder for three years after the date of the transaction in which the person became an interested stockholder. In general, Delaware law defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling, or controlled by, the entity or person. These business combinations include:

Any merger or consolidation involving the corporation and the interested stockholder;

Any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

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Subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; or

The receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

Section 203 permits certain exemptions from its provisions for transactions in which:

Prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

The interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

On or subsequent to the date of the transaction, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Merger; Amendment of Certificate of Incorporation

Under Delaware law, we will not be able to amend our certificate of incorporation or merge with another entity unless approved by the affirmative vote of stockholders holding at least a majority of the shares entitled to vote on the matter.

Term and Termination

Our certificate of incorporation provides for us to have a perpetual existence. Pursuant to our certificate of incorporation, and subject to the provisions of any of our classes or series of stock then outstanding and the approval by a majority of the entire Board of Directors, our stockholders, at any meeting thereof, by the affirmative vote of a majority of all of the votes entitled to be cast on the matter, may approve a plan of liquidation and dissolution.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of persons for election to our Board of Directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:

pursuant to our notice of the meeting;

- by our Board of Directors; or
- by a stockholder who was a stockholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders and nominations of persons for election to our Board of Directors may be made only:

- pursuant to our notice of the meeting;

by our Board of Directors; or

provided that our Board of Directors has determined that directors shall be elected at such meeting, by a stockholder who was a stockholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in our bylaws.

Possible Anti-Takeover Effect of Certain Provisions of Delaware Law and of Our Certificate of Incorporation and Bylaws

The business combination provisions of Delaware law, the provisions of our bylaws regarding the classification of our Board of Directors, the Board of Directors ability to issue preferred stock with terms and conditions that could have a priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock, and the restrictions on the transfer of stock and the advance notice provisions of our bylaws could have the effect of delaying, deferring or preventing a transaction or a change in the control that might involve a premium price for holders of common stock or otherwise be in their best interest.

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

Our certificate of incorporation eliminates the liability of directors to the maximum extent permitted by Delaware law. In addition, our bylaws require us to indemnify our directors and executive officers, and allow us to indemnify other employees and agents, to the fullest extent permitted by law, subject to the requirements of the 1940 Act. Our bylaws obligate us to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The certificate of incorporation and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person s willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Delaware law requires a corporation to indemnify a present or former director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Delaware law permits a corporation to indemnify its present and former directors and officers, or any other person who is or was an employee or agent, or is or was serving at the request of a corporation as a director, officer, employee or agent of another entity, against liability for expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. In the case of a criminal proceeding, Delaware law further requires that the person to be indemnified have no reasonable cause to believe his or her conduct was unlawful. In the case of an action or suit by or in the right of a corporation to procure a judgment in its favor by reason of such person s service to the corporation, Delaware law provides that no indemnification shall be made with respect to any claim, issue or matter as to which such person has been adjudged liable to the corporation, unless and only to the extent that the court in which such an action or suit is brought determines, in view of all the circumstances of the case, that the person is fairly and reasonably entitled to indemnity. Insofar as certain members of our senior management team may from time to time serve, at the request of our Board of Directors, as directors of one or more of our portfolio companies, we may have indemnification obligations under our bylaws with respect to acts taken by our portfolio companies.

Any payment to an officer or director as indemnification under our governing documents or applicable law or pursuant to any agreement to hold such person harmless is recoverable only out of our assets and not from our

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stockholders. Indemnification could reduce the legal remedies available to us and our stockholders against the indemnified individuals. This provision for indemnification of our directors and officers does not reduce the exposure of our directors and officers to liability under federal or state securities laws, nor does it limit a stockholder s ability to obtain injunctive relief or other equitable remedies for a violation of a director s or an officer s duties to us or to our stockholders, although these equitable remedies may not be effective in some circumstances.

In addition to any indemnification to which our directors and officers are entitled pursuant to our certificate of incorporation and bylaws and the Delaware General Corporation Law, our certificate of incorporation and bylaws provide that we may indemnify other employees and agents to the fullest extent permitted under Delaware law, whether they are serving us or, at our request, any other entity, including our Adviser and our Administrator.

The general effect to investors of any arrangement under which any person who controls us or any of our directors, officers or agents is insured or indemnified against liability is a potential reduction in distributions to our stockholders resulting from our payment of premiums associated with liability insurance. In addition, indemnification could reduce the legal remedies available to us and to our stockholders against our officers, directors and agents. The SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable. As a result, indemnification of our directors and officers and of our Adviser or its affiliates may not be allowed for liabilities arising from or out of a violation of state or federal securities laws. Indemnification will be allowed for settlements and related expenses of lawsuits alleging securities laws violations and for expenses incurred in successfully defending any lawsuit, provided that a court either:

- approves the settlement and finds that indemnification of the settlement and related costs should be made; or

- dismisses with prejudice or makes a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and a court approves the indemnification.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Delaware General Corporation Law or any provision of our certificate of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

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SHARE REPURCHASES

Shares of closed-end investment companies frequently trade at discounts to NAV. We cannot predict whether our shares will trade above, at or below NAV. The market price of our common stock is determined by, among other things, the supply and demand for our shares, our investment performance and investor perception of our overall attractiveness as an investment as compared with alternative investments. Our Board of Directors has in the past, and may again in the future, authorized our officers, in their discretion and subject to compliance with the 1940 Act and other applicable law, to purchase on the open market or in privately negotiated transactions, outstanding shares of our common stock in the event that our shares trade at a discount to NAV. We cannot assure you that we will ever conduct any open market purchases and if we do conduct open market purchases, we may terminate them at any time.

In addition, if our shares publicly trade for a substantial period of time at a substantial discount to our then current NAV per share, our Board of Directors may consider authorizing periodic repurchases of our shares or other actions designed to eliminate the discount. Our Board of Directors could consider any relevant factors in determining whether to take any such actions, including the effect of such actions on our status as a RIC under the Code and the availability of cash to finance these repurchases in view of the restrictions on our ability to borrow. We cannot assure you that any share repurchases will be made or that if made, they will reduce or eliminate market discount. Should we make any such repurchases in the future, we expect that we would make them at prices at or below the then current NAV per share. Any such repurchase would cause our total assets to decrease, which may have the effect of increasing our expense ratio. We may borrow money to finance the repurchase of shares subject to the limitations described in this prospectus. Any interest on such borrowing for this purpose would reduce our net income.

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PLAN OF DISTRIBUTION

We may offer the Securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, or through agents or through a combination of any such methods of sale. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of Securities will be named in the applicable prospectus supplement. Any prospectus supplement or supplements will also describe the terms of the offering of Securities, including: the amount and purchase price of Securities and the proceeds we will receive from the sale; any over-allotment options under which underwriters may purchase additional Securities from us; any agency fees or underwriting discounts and other items constituting agents or underwriters compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the Securities may be listed.

The distribution of the Securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, in at the market offerings within the meaning of Rule 415(a)(4) of the Securities Act, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices. The price at which Securities may be distributed may represent a discount from prevailing market prices, provided, however, that in the case of our common stock, the offering price per share less any underwriting commissions or discounts must equal or exceed the NAV per share of our common stock except (i) in connection with a rights offering to our existing stockholders, (ii) with the consent of the majority of our common stockholders, or (iii) under such other circumstances as the SEC may permit.

In connection with the sale of the Securities, underwriters or agents may receive compensation from us or from purchasers of the Securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Our common stockholders will indirectly bear such fees and expenses as well as any other fees and expenses incurred by us in connection with any sale of securities. Underwriters may sell the Securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the Securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum commission or discount to be received by any FINRA member or independent broker-dealer will not exceed 10%.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the Securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the Securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the Securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on Nasdaq may engage in passive market making transactions in our common stock on Nasdaq in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker s bid, however, the passive market maker s bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the Securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We may sell the Securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of the Securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of Securities will be a new issue with no trading market, other than our common stock and our outstanding Term Preferred Stock, which are traded on Nasdaq. We may elect to list any other class or series of Securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any Securities.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell Securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment).

Any of our common stock sold pursuant to a prospectus supplement will be listed on Nasdaq, or another exchange on which our common stock is traded.

Under agreements into which we may enter, underwriters, dealers and agents who participate in the distribution of the Securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase the Securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of the Securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

In order to comply with the securities laws of certain states, if applicable, the Securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, the Securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

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BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use securities brokers or dealers in the normal course of our business. Subject to policies established by our Board of Directors, our Adviser will be primarily responsible for ensuring the execution of transactions involving publicly traded securities and the review of brokerage commissions in respect thereof, if any. In the event that our Adviser ensures the execution such transactions, we do not expect our Adviser to execute transactions through any particular broker or dealer, but we would expect our Adviser to seek to obtain the best net results for us, taking into account such factors as price (including any applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the broker dealer and the broker dealer s risk and skill in positioning blocks of securities. While we expect that our Adviser generally will seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, our Adviser may select a broker dealer based partly upon brokerage or market research services provided to us, our Adviser and any of its other clients, if any. In return for such services, we may pay a higher commission than other broker dealers would charge if our Adviser determines in good faith that such commission is reasonable in relation to the value of the brokerage and research services provided by such broker dealer viewed in terms either of the particular transaction or our Adviser s overall responsibilities with respect to all of our Adviser s clients.

We have not paid any brokerage commissions during the three most recent fiscal years to any affiliated person of us or our Adviser.

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PROXY VOTING POLICIES AND PROCEDURES

We have delegated our proxy voting responsibility to our Adviser. The proxy voting policies and procedures of our Adviser are set out below. The guidelines are reviewed periodically by our Adviser and our directors who are not interested persons, and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, our Adviser has a fiduciary duty to act solely in our best interests. As part of this duty, our Adviser recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

Our Adviser s policies and procedures for voting proxies for its investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

Our Adviser votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. Our Adviser reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases our Adviser will vote in favor of proposals that our Adviser believes are likely to increase the value of the portfolio securities we hold. Although our Adviser will generally vote against proposals that may have a negative effect on our portfolio securities, our Adviser may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by our Adviser s portfolio managers. To ensure that our Adviser s vote is not the product of a conflict of interest, our Adviser requires that (1) anyone involved in the decision-making process disclose to our Adviser s investment committee any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how our Adviser intends to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, our Adviser will disclose such conflicts to us, including our independent directors and may request guidance from us on how to vote such proxies.

Proxy Voting Records

You may obtain information without charge about how the Adviser voted proxies for most recent 12-month period ending June 30 by visiting the SEC s website at www.sec.gov or calling us collect at (703) 287-5893 or by making a written request for proxy voting information to:

Michael LiCalsi, General Counsel and Secretary

c/o Gladstone Investment Corporation

1521 Westbranch Dr., Suite 100

McLean, VA 22102

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CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

The securities we hold in our portfolio companies are held under a custodian agreement with The Bank of New York Mellon Corp. The address of the custodian is: 500 Ross Street, Suite 625, Pittsburgh, Pennsylvania 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly-owned subsidiary, 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 625, Pittsburgh, Pennsylvania 15262. Computershare acts as our transfer and dividend paying agent and registrar. The principal business address of Computershare is 250 Royall Street, Canton, Massachusetts 02021, telephone number (781) 575-2000. Computershare also maintains an internet website at *www.computershare.com* and one specifically for shareholders at *www.computershare.com/investor.*

LEGAL MATTERS

The legality of Securities offered hereby will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Certain legal matters will be passed upon for the underwriters, if any, by the counsel named in the accompanying prospectus supplement.

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 this 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. The address of PricewaterhouseCoopers LLP is 1800 Tysons Boulevard, McLean, Virginia 22102.

The financial statements of Galaxy Tool Holding Corporation and Subsidiary as of and for the years ended December 31, 2016 and 2015 included in this prospectus have been so included in reliance on the reports of Allen, Gibbs & Houlik, L.C., independent auditors located in Wichita, Kansas, given on the authority of said firm as experts in auditing and accounting.

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AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the Securities offered by this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information set forth in the registration statement or exhibits and schedules thereto. For further information with respect to our business and our Securities, reference is made to the registration statement, including the amendments, exhibits and schedules thereto.

We also file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. You can inspect any materials we file with the SEC, without charge, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 202-551-8090 for further information on the Public Reference Room. The information we file with the SEC is available free of charge by contacting us at Investor Relations, Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, by calling our toll-free investor relations line at 1-866-366-5745 or on our website at http://www.gladstoneinvestment.com. The SEC also 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 web site is http://*www.sec.gov*. Information contained on our website or on the SEC s website about us is not incorporated into this prospectus, you should not consider information contained on, our website or on the SEC s website to be part of this prospectus.

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GLADSTONE INVESTMENT CORPORATION

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Audited Consolidated Financial Statements

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Management s Annual Report on Internal Control over Financial Reporting

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

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

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

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we assessed the effectiveness of our internal control over financial reporting as of March 31, 2018, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework (2013). Based on its assessment, management has concluded that our internal control over financial reporting was effective as of March 31, 2018.

The effectiveness of our internal control over financial reporting as of March 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

May 15, 2018

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of Gladstone Investment Corporation and its subsidiaries (the Company) as of March 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2018, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the consolidated financial statements). We also have audited the Company s internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of their operations, changes in their net assets and their cash flows for each of the three years in the period ended March 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company s consolidated financial statements and on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of March 31, 2018 and 2017 by correspondence with the custodian and portfolio company investees. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP

McLean, VA

May 15, 2018

We have served as the Company s auditor since 2005.

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	March 31, 2018	March 31, 2017
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of **$220,087** and $225,046, respectively)	**$ 247,297**	$ 223,451
Affiliate investments (Cost of **$343,247** and $278,811, respectively)	**339,393**	262,086
Control investments (Cost of **$21,512** and $21,312, respectively)	**12,457**	16,042
Cash and cash equivalents	**3,639**	2,868
Restricted cash and cash equivalents	**328**	1,231
Interest receivable	**3,532**	2,305
Due from custodian	**2,324**	2,238
Deferred financing costs, net	**976**	1,588
Other assets, net	**953**	3,386
TOTAL ASSETS	**$ 610,899**	**$** 515,195
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of **$107,000** and $69,700, respectively)	**$ 107,500**	$ 69,700
Secured borrowing	**5,096**	5,096
Total borrowings	**112,596**	74,796
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference; **6,356,000** shares authorized; **5,566,000** shares issued and outstanding, net	**135,615**	134,835
Accounts payable and accrued expenses	**916**	578
Fees due to Adviser[(A)]	**6,671**	1,671
Fee due to Administrator[(A)]	**317**	296
Other liabilities	**584**	1,937
TOTAL LIABILITIES	**256,699**	214,113
Commitments and contingencies[(B)]		
NET ASSETS	**$ 354,200**	$ 301,082
ANALYSIS OF NET ASSETS		
Common stock, $0.001 par value per share, **100,000,000** shares authorized; **32,653,635** and 30,270,958 shares issued and outstanding, respectively	**$ 33**	$ 30
Capital in excess of par value	**330,661**	310,332
Cumulative net unrealized appreciation (depreciation) of investments	**14,301**	(23,590)
Cumulative net unrealized appreciation of other	**(500)**	

Net investment income in excess of distributions	**3,660**	7,283
Accumulated net realized gain in excess of distributions	**6,045**	7,027
TOTAL NET ASSETS	**$ 354,200**	$ 301,082
NET ASSET VALUE PER SHARE AT END OF YEAR	**$ 10.85**	$ 9.95

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

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

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Year Ended March 31,		
	2018	**2017**	**2016**
INVESTMENT INCOME			
Interest income:			
Non-Control/Non-Affiliate investments	**$ 19,266**	$ 17,385	$ 16,604
Affiliate investments	**28,679**	27,941	28,071
Control investments	**833**	818	1,720
Cash and cash equivalents	**21**	3	2
Total interest income	**48,799**	46,147	46,397
Dividend income:			
Non-Control/Non-Affiliate investments	**2,931**	152	2,390
Affiliate investments	**1,297**	3,190	505
Total dividend income	**4,228**	3,342	2,895
Success fee income:			
Non-Control/Non-Affiliate investments	**3,104**	996	1,253
Affiliate investments	**2,224**	1,377	333
Total success fee income	**5,328**	2,373	1,586
Other income		13	77
Total investment income	**58,355**	51,875	50,955
EXPENSES			
Base management fee[A]	**10,796**	9,925	9,925
Loan servicing fee[A]	**6,277**	6,606	6,697
Incentive fee[A]	**10,648**	4,750	5,179
Administration fee[A]	**1,087**	1,120	1,190
Interest expense on borrowings	**4,034**	3,540	4,154
Dividends on mandatorily redeemable preferred stock	**9,005**	8,683	7,963
Amortization of deferred financing costs and discounts	**1,468**	1,875	1,908
Professional fees	**1,077**	698	1,192
Other general and administrative expenses	**1,954**	2,368	1,854
Expenses before credits from Adviser	**46,346**	39,565	40,062
Credits to base management fee loan servicing fee[A]	**(6,277)**	(6,606)	(6,697)
Credits to fees from Adviser other[A]	**(3,674)**	(3,506)	(3,126)

Total expenses, net of credits to fees		**36,395**		29,453		30,239
NET INVESTMENT INCOME	**$**	**21,960**	$	22,422	$	20,716
REALIZED AND UNREALIZED GAIN (LOSS)						
Net realized gain (loss):						
Non-Control/Non-Affiliate investments	**$**	**1,189**	$	1,086	$	17,038
Affiliate investments		**143**		14,558		(11,424)
Control investments		**4**		(3)		(10,213)
Other				(254)		
Total net realized gain (loss)		**1,336**		15,387		(4,599)
Net unrealized appreciation (depreciation):						
Non-Control/Non-Affiliate investments		**28,805**		9,230		(22,599)
Affiliate investments		**12,871**		(8,593)		31,446
Control investments		**(3,785)**		6,242		(110)
Other		**(500)**		75		
Total net unrealized appreciation		**37,391**		6,954		8,737
Net realized and unrealized gain		**38,727**		22,341		4,138
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**60,687**	$	44,763	$	24,854
BASIC AND DILUTED PER COMMON SHARE:						
Net investment income	**$**	**0.68**	$	0.74	$	0.68
Net increase in net assets resulting from operations	**$**	**1.88**	$	1.48	$	0.82
Distributions	**$**	**0.89**	$	0.75	$	0.75
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:						
Basic and diluted		**32,268,776**		30,270,958		30,268,253

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

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

	Year Ended March 31,		
	2018	**2017**	**2016**
OPERATIONS			
Net investment income	**$ 21,960**	$ 22,422	$ 20,716
Net realized gain (loss) on investments	**1,336**	15,641	(4,599)
Net realized loss on other		(254)	
Net unrealized appreciation of investments	**37,891**	6,879	8,737
Net unrealized appreciation of other	**(500)**	75	
Net increase in net assets from operations	**60,687**	44,763	24,854
DISTRIBUTIONS			
Distributions to common stockholders from net investment income	**(27,174)**	(22,703)	(19,515)
Distributions to common stockholders from realized gains	**(1,756)**		(3,188)
Net decrease in net assets from distributions	**(28,930)**	(22,703)	(22,703)
CAPITAL ACTIVITY			
Issuance of common stock	**22,485**		3,663
Discounts, commissions, and offering costs for issuance of common stock	**(1,124)**		(221)
Net increase in net assets from capital activity	**21,361**		3,442
TOTAL INCREASE IN NET ASSETS	**53,118**	22,060	5,593
NET ASSETS, BEGINNING OF YEAR	**301,082**	279,022	273,429
NET ASSETS, END OF YEAR	**$ 354,200**	$ 301,082	$ 279,022

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Year Ended March 31,		
	2018	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in net assets resulting from operations	**$ 60,687**	$ 44,763	$ 24,854
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:			
Purchase of investments	**(98,539)**	(62,446)	(61,896)
Principal repayments of investments	**32,208**	31,886	24,205
Net proceeds from the sale of investments	**7,651**	36,939	20,377
Net realized (gain) loss on investments	**(1,425)**	(15,196)	4,448
Net realized loss on other		239	
Net unrealized appreciation of investments	**(37,891)**	(6,879)	(8,737)
Net unrealized appreciation of other	**500**	(75)	
Amortization of premiums, discounts, and acquisition costs, net	**(15)**		
Amortization of deferred financing costs and discounts	**1,468**	1,875	1,908
Bad debt expense, net of recoveries	**308**	650	267
Changes in assets and liabilities:			
Decrease (increase) in restricted cash and cash equivalents	**903**	171	(847)
Increase in interest receivable	**(1,681)**	(253)	(1,133)
(Increase) decrease in due from custodian	**(86)**	(600)	2,874
Decrease (increase) in other assets, net	**2,879**	3,065	(2,934)
Increase (decrease) in accounts payable and accrued expenses	**259**	(476)	(217)
Increase (decrease) in fees due to Adviser[(A)]	**5,000**	(241)	410
Increase (decrease) in fee due to Administrator[(A)]	**21**	(15)	49
(Decrease) increase in other liabilities	**(1,074)**	(928)	454
Net cash (used in) provided by operating activities	**(28,827)**	32,479	4,082
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	**22,485**		3,663
Discounts, commissions, and offering costs for issuance of common stock	**(1,110)**		(221)
Proceeds from line of credit	**132,100**	83,400	105,000
Repayments on line of credit	**(94,800)**	(108,700)	(128,800)
Proceeds from issuance of mandatorily redeemable preferred stock		57,500	40,250
Redemption of mandatorily redeemable preferred stock		(40,000)	
Deferred financing and offering costs	**(147)**	(3,589)	(1,711)
Distributions paid to common stockholders	**(28,930)**	(22,703)	(22,703)
Net cash provided by (used in) financing activities	**29,598**	(34,092)	(4,522)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**771**	(1,613)	(440)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**2,868**	4,481	4,921
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 3,639**	$ 2,868	$ 4,481
CASH PAID FOR INTEREST	**$ 3,288**	$ 3,018	$ 3,679
NON-CASH ACTIVITIES[(B)]	**$ 42,977**	$ 8,796	$ 13,944

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

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

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(B) 2018: Significant non-cash operating activities consisted principally of the following transactions:
In November 2017, one of our portfolio companies, GI Plastek, Inc. (GI Plastek) merged with another one of our portfolio companies, Precision Southeast, Inc. (Precision), into a new company, PSI Molded Plastics, Inc. (PSI Molded). As a result of this transaction, our debt investments in GI Plastek and Precision, which totaled $15.0 million and $9.6 million, respectively, at principal and cost, were assumed by PSI Molded and combined into a new secured second lien term loan totaling $24.6 million. Our preferred equity investment in GI Plastek, with a cost basis of $5.2 million, and our preferred and common equity investments in Precision, with a combined cost basis of $3.8 million, were converted into a preferred equity investment in PSI Molded with the same cost basis.

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.

2017: Significant non-cash operating activities consisted principally of the following transaction:

In October 2016, we restructured our investment in D.P.M.S., Inc. (Danco), which resulted in the exchange of our existing debt investments with a total cost basis and fair value of $16.5 million and $6.4 million, respectively, for a new $8.8 million secured first lien term loan. We also relinquished our preferred equity investment and a portion of our common equity investment, which had an aggregate cost basis and fair value of $2.5 million and $0 million, respectively. The transaction resulted in a net realized loss of $10.2 million, which was recorded in our *Consolidated Statements of Operations* during the year ended March 31, 2017.

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

In August 2015, NDLI, Inc. (NDLI) was acquired by Diligent Delivery Systems (Diligent). As part of this acquisition, we restructured our investment in NDLI, which resulted in the termination of our debt investments in NDLI, which had a cost basis and fair value of $17.7 million and $14.2 million, respectively. We received cash proceeds of $1.9 million and a $13.0 million secured second lien debt investment in Diligent, which resulted in a net realized loss of $2.8 million. We recognized this net realized loss in our *Consolidated Statements of Operations* during the fiscal year ended March 31, 2016.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

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**

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
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 ($2,000)(U)			
		7,725	**1,010**
Chemicals, Plastics, and Rubber 1.0%			
Drew Foam Companies, Inc. Preferred Stock(C)(Q)	34,045	**$ 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**

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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
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**
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**

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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
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%			
	6,200	6,200	6,200

SOG Specialty Knives & Tools, LLC Cash, Due 8/2020)(L)	Term Debt (L+7.3%, 9.3%			
SOG Specialty Knives & Tools, LLC 10.3% Cash, Due 8/2020)(L)	Term Debt (L+8.3%,	12,200	12,200	8,827
SOG Specialty Knives & Tools, LLC 8/2020)(L)(R)	Term Debt (Due	538	538	440
			18,938	**15,467**

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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
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**
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**

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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
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**

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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
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**	
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**

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
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**

(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 non-qualifying assets 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.

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(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 to class A common stock in Funko, Inc. upon the expiration of a lock-up agreement and meeting certain other requirements. Fair value was based on the closing market price of shares of Funko, Inc. as of the reporting date, less a discount for lack of marketability. Funko, Inc. is traded on the Nasdaq Stock Market under the trading symbol FNKO. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(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.

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(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(N) 74.2%			
Secured First Lien Debt 36.1%			
Chemicals, Plastics, and Rubber 3.3%			
Drew Foam Companies, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 8/2017)(L)	$ 9,913	**$ 9,913**	**$ 9,913**
Containers, Packaging, and Glass 3.2%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 12/2019)(L)	9,500	**9,500**	**9,500**
Diversified/Conglomerate Services 12.2%			
Counsel Press, Inc. Line of Credit, $500 available (L+11.8%, 12.8% Cash (1.0% Unused Fee), Due 3/2018)(L)			
Counsel Press, Inc. Term Debt (L+11.8%, 12.8% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 14.0% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 12.5% Cash, Due 12/2020)(L)	13,290	13,290	13,290
		36,790	**36,790**
Farming and Agriculture 5.2%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 4/2018)(L)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 5/2018)(K)	5,000	5,000	4,675
		16,000	**15,675**
Leisure, Amusement, Motion Pictures, and Entertainment 4.3%			
Schylling, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 8/2018)(L)	13,081	**13,081**	**13,081**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.7%			
Mathey Investments, Inc. Term Debt (L+5.5%, 10.0% Cash, Due 3/2018)(L)	1,375	1,375	1,375
	3,727	3,727	3,727

Mathey Investments, Inc. Term Debt (L+7.5%, 12.0% Cash, Due 3/2018)(L)			
Mathey Investments, Inc. Term Debt (12.5% Cash, Due 3/2018)(I)(L)	3,500	3,500	1,619
SBS Industries, LLC Term Debt (L+12.0%, 14.0% Cash, Due 8/2019)(L)	11,355	11,355	10,561
		19,957	**17,282**

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CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Oil and Gas 0.7%			
Tread Corporation Line of Credit, $634 available (L+10.0%, 12.5% Cash, Due 2/2018)(G)(L)	3,216	**3,216**	**2,017**
Personal, Food, and Miscellaneous Services 1.5%			
B-Dry, LLC Line of Credit, $500 available (L+6.3%, 7.3% Cash (0.8% Unused Fee), Due 12/2018)(L)	4,150	4,150	4,150
B-Dry, LLC Term Debt (L+0.3%, 1.5% Cash, Due 12/2019)(L)	6,443	6,443	205
B-Dry, LLC Term Debt (L+0.3%, 1.5% Cash, Due 12/2019)(L)	840	840	
		11,433	**4,355**
Total Secured First Lien Debt		**$ 119,890**	**$ 108,613**
Secured Second Lien Debt 15.2%			
Automobile 1.3%			
Country Club Enterprises, LLC Term Debt (L+11.0%, 18.7% Cash, Due 5/2017)(L)	$ 4,000	**$ 4,000**	**$ 4,000**
Cargo Transport 4.4%			
Diligent Delivery Systems Term Debt (L+8.0%, 10.0% Cash, Due 8/2020)(K)	13,000	**13,000**	**13,292**
Chemicals, Plastics, and Rubber 5.1%			
Mitchell Rubber Products, Inc. Term Debt (13.0% Cash, Due 3/2018)(I)(Q)	13,560	**13,560**	**15,230**
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.4%			
Ginsey Home Solutions, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2021)(H)(L)	13,300	**13,300**	**13,300**
Total Secured Second Lien Debt		**$ 43,860**	**$ 45,822**
Preferred Equity 14.7%			
Automobile 1.7%			
Country Club Enterprises, LLC Preferred Stock(C)(L)	7,245,681	$ 7,725	$ 5,256
Country Club Enterprises, LLC Guaranty ($2,000)(Y)			
		7,725	**5,256**
Chemicals, Plastics, and Rubber 2.6%			
Drew Foam Companies, Inc. Preferred Stock(C)(L)	34,045	3,375	3,878

Mitchell Rubber Products, Inc.	Preferred Stock(C)(Q)	27,900	2,790	3,903
			6,165	**7,781**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(D)(E)]	Principal/Shares/ Units[(F)(J)]	Cost	Fair Value
Containers, Packaging, and Glass 0.5%			
Frontier Packaging, Inc. Preferred Stock[(C)(L)]	1,373	**1,373**	**1,401**
Diversified/Conglomerate Services 6.2%			
Counsel Press, Inc. Preferred Stock[(C)(L)]	6,995	6,995	6,117
Nth Degree, Inc. Preferred Stock[(C)(L)]	5,660	5,660	12,471
		12,655	**18,588**
Farming and Agriculture 1.1%			
Jackrabbit, Inc. Preferred Stock[(C)(L)]	3,556	3,556	3,421
Star Seed, Inc. Preferred Stock[(C)(L)]	1,499	1,499	
		5,055	**3,421**
Home and Office Furnishings, Housewares, and Durable Consumer Products 2.4%			
Ginsey Home Solutions, Inc. Preferred Stock[(C)(L)]	19,280	**9,583**	**7,176**
Leisure, Amusement, Motion Pictures, and Entertainment 0.1%			
Schylling, Inc. Preferred Stock[(C)(L)]	4,000	**4,000**	**262**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
SBS Industries, LLC Preferred Stock[(C)(L)]	19,935	**1,994**	
Oil and Gas 0.0%			
Tread Corporation Preferred Stock[(C)(L)]	12,998,639	**3,768**	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Funko Acquisition Holdings, LLC[(M)] Preferred Stock[(C)(L)]	260	**167**	**257**
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock[(C)(L)]	2,500	**2,516**	
Total Preferred Equity		**$ 55,001**	**$ 44,142**
Common Equity 8.2%			
Cargo Transport 0.9%			
Diligent Delivery Systems Common Stock Warrants[(C)(L)]	8%	**$ 500**	**$ 2,598**
Chemicals, Plastics, and Rubber 3.8%			
Drew Foam Companies, Inc. Common Stock[(C)(L)]	5,372	63	11,451

Mitchell Rubber Products, Inc.	Common Stock(C)(Q)	27,900	28	28
			91	**11,479**
Containers, Packaging, and Glass 2.4%				
Frontier Packaging, Inc.	Common Stock(C)(L)	152	**152**	**7,364**
Farming and Agriculture 0.0%				
Jackrabbit, Inc.	Common Stock(C)(L)	548	94	
Star Seed, Inc.	Common Stock(C)(L)	600	1	
			95	

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.0%			
Ginsey Home Solutions, Inc. Common Stock(C)(L)	63,747	$ 8	$
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
Mathey Investments, Inc. Common Stock(C)(L)	29,102	777	
SBS Industries, LLC Common Stock(C)(L)	221,500	222	
		999	
Oil and Gas 0.0%			
Tread Corporation Common Stock(C)(L)	10,089,048	**753**	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
Funko Acquisition Holdings, LLC(M) Common Stock(C)(L)	975		
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Common Stock(C)(L)	2,500	**300**	
Utilities 1.1%			
AquaVenture Holdings Limited Common Stock(C)(S)(U)	201,586	**3,397**	**3,433**
Total Common Equity		**$ 6,295**	**$ 24,874**
Total Non-Control/Non-Affiliate Investments		**$ 225,046**	**$ 223,451**
AFFILIATE INVESTMENTS(O) 87.1%			
Secured First Lien Debt 51.4%			
Automobile 2.9%			
Meridian Rack & Pinion, Inc.(M) Term Debt (L+11.5%, 13.5% Cash, Due 12/2018)(K)	$ 9,660	**$ 9,660**	**$ 8,646**
Beverage, Food, and Tobacco 3.0%			
Head Country, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)(L)	9,050	**9,050**	**9,050**
Chemicals, Plastics, and Rubber 5.0%			
GI Plastek, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 7/2020)(L)	15,000	**15,000**	**15,000**
Diversified/Conglomerate Manufacturing 9.7%			
	12,215	12,215	9,772

Alloy Die Casting Co.[(M)] Term Debt (L+11.5%, 13.5% Cash, Due 10/2018)[(G)(K)]			
Alloy Die Casting Co.[(M)] Term Debt (L+11.5%, 13.5% Cash, Due 10/2018)[(G)(K)]	175	175	140
Alloy Die Casting Co.[(M)] Term Debt (Due 10/2018)[(K)(R)]	910	910	732
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)[(I)(L)]	8,796	8,796	7,175
Edge Adhesives Holdings, Inc.[(M)] Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)[(K)]	9,300	9,300	9,207
Edge Adhesives Holdings, Inc.[(M)] Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)[(K)]	2,400	2,400	2,388
		33,796	**29,414**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Diversified/Conglomerate Services 8.0%			
JR Hobbs Co. Atlanta, LLC Line of Credit, $1,050 available (L+8.5%, 10.0% Cash (1.0% Unused Fee), Due 2/2018)(T)	2,950	2,950	2,950
JR Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.0% Cash, Due 2/2022)(T)	21,000	21,000	21,000
		23,950	**23,950**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.0%			
Brunswick Bowling Products, Inc. Term Debt (L+14.3%, 16.3% Cash, Due 5/2020)(L)	11,307	11,307	11,307
Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)(L)	15,770	15,770	15,770
		27,077	**27,077**
Leisure, Amusement, Motion Pictures, and Entertainment 6.1%			
SOG Specialty Knives & Tools, LLC Term Debt (L+11.3%, 13.3% Cash, Due 10/2017)(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+12.8%, 14.8% Cash, Due 10/2017)(L)	12,200	12,200	12,200
		18,400	**18,400**
Telecommunications 4.6%			
B+T Group Acquisition, Inc.(M) Term Debt (L+11.0%, 13.0% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**
Textiles and Leather 3.1%			
Logo Sportswear, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 3/2020)(L)	9,200	**$ 9,200**	**$ 9,200**
Total Secured First Lien Debt		**$ 160,133**	**$ 154,737**
Secured Second Lien Debt 14.7%			
Diversified/Conglomerate Manufacturing 3.2%			
Precision Southeast, Inc. Term Debt (L+12.0%, 14.0% Cash, Due 9/2020)(L)	$ 9,618	**$ 9,618**	**$ 9,618**
Home and Office Furnishings, Housewares, and Durable Consumer Products 5.3%			
Cambridge Sound Management, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 8/2021)(L)	16,000	**16,000**	**16,000**
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.2%			

The Mountain Corporation	Term Debt (L+12.5%, 13.5% Cash, Due 8/2021)[(L)]	18,600	**18,600**	**18,600**
Total Secured Second Lien Debt			**$ 44,218**	**$ 44,218**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Preferred Equity 21.0%			
Automobile 1.0%			
Meridian Rack & Pinion, Inc.(M) Preferred Stock(C)(L)	3,381	$ 3,381	$ 2,890
Beverage, Food, and Tobacco 1.9%			
Head Country, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**5,752**
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock(C)(L)	3,600	**3,600**	
Chemicals, Plastics, and Rubber 1.9%			
GI Plastek, Inc. Preferred Stock(C)(L)	5,150	**5,150**	**5,754**
Diversified/Conglomerate Manufacturing 0.4%			
Alloy Die Casting Co.(M) Preferred Stock(C)(L)	4,904	4,904	
Channel Technologies Group, LLC Preferred Stock(C)(L)	2,279	1,841	
Edge Adhesives Holdings, Inc.(M) Preferred Stock(C)(L)	3,774	3,774	1,271
Precision Southeast, Inc. Preferred Stock(C)(L)	37,391	3,739	
		14,258	**1,271**
Diversified/Conglomerate Services 2.0%			
JR Hobbs Co. Atlanta, LLC Preferred Stock(C)(T)	5,920	**5,920**	**5,920**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.8%			
Brunswick Bowling Products, Inc. Preferred Stock(C)(L)	4,943	4,943	11,329
Cambridge Sound Management, Inc. Preferred Stock(C)(L)	4,500	4,500	11,046
Old World Christmas, Inc. Preferred Stock(C)(L)	6,180	6,180	7,135
		15,623	**29,510**
Leisure, Amusement, Motion Pictures, and Entertainment 0.2%			
SOG Specialty Knives & Tools, LLC Preferred Stock(C)(L)	9,749	**9,749**	**711**
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
The Mountain Corporation Preferred Stock(C)(L)	6,899	**6,899**	**153**
Telecommunications 0.0%			
B+T Group Acquisition, Inc.(M) Preferred Stock(C)(L)	12,841	**4,196**	
Textiles and Leather 3.7%			
Logo Sportswear, Inc. Preferred Stock(C)(L)	1,550	**1,550**	**11,170**

Total Preferred Equity	**$ 74,326**	**$ 63,131**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(D)(E)]	Principal/Shares/ Units[(F)(J)]	Cost	Fair Value
Common Equity 0.0%			
Cargo Transport 0.0%			
NDLI, Inc. Common Stock[(C)(L)]	545	$	$
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting Co.[(M)] Common Stock[(C)(L)]	630	41	
Channel Technologies Group, LLC Common Stock[(C)(L)]	2,319,184		
D.P.M.S., Inc. Common Stock[(C)(L)]	627	1	
Precision Southeast, Inc. Common Stock[(C)(L)]	90,909	91	
		133	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
The Mountain Corporation Common Stock[(C)(L)]	751	**1**	
Total Common Equity		**$ 134**	**$**
Total Affiliate Investments		**$ 278,811**	**$ 262,086**
CONTROL INVESTMENTS[(P)] 5.3%:			
Secured First Lien Debt 1.6%			
Aerospace and Defense 1.6%			
Galaxy Tool Holding Corporation Line of Credit, $200 available (L+4.5%, 6.5% Cash (1.0% Unused Fee), Due 8/2019)[(L)]	$ 4,800	**$ 4,800**	**$ 4,800**
Secured Second Lien Debt 1.7%			
Aerospace and Defense 1.7%			
Galaxy Tool Holding Corporation Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)[(L)]	$ 5,000	**$ 5,000**	**$ 5,000**
Preferred Equity 2.0%			
Aerospace and Defense 2.0%			
Galaxy Tool Holding Corporation Preferred Stock[(C)(L)]	5,517,444	**$ 11,464**	**$ 6,242**
Common Equity 0.0%			
Aerospace and Defense 0.0%			
Galaxy Tool Holding Corporation Common Stock[(C)(L)]	88,843	**$ 48**	**$**
Total Control Investments		**$ 21,312**	**$ 16,042**

TOTAL INVESTMENTS[(W)]	**166.6%**	**$ 525,169**	**$ 501,579**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

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

(C) Security is non-income producing.

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

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

(F) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.

(G) Debt security is on non-accrual status.

(H) $5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017.

(I) Debt security has a fixed interest rate.

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

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

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

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

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

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

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

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

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

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

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

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

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GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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

NOTE 1. ORGANIZATION

Gladstone Investment Corporation (Gladstone Investment) was incorporated under the General Corporation Law of the State of Delaware on February 18, 2005, and completed an initial public offering on June 22, 2005. The terms the Company, we, our and us all refer to Gladstone Investment and its consolidated subsidiaries. We are an externally advised, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act), 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 14 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), an affiliate of ours and 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

Basis of Presentation

The *Consolidated Financial Statements* and these accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) and conform to Regulation S-X under the Securities Exchange Act of 1934, as amended. Management believes it has made all necessary adjustments so

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that our accompanying *Consolidated Financial Statements* are presented fairly and that all such adjustments are of a normal recurring nature. Our accompanying *Consolidated Financial Statements* include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Consolidation

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.

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.

Classification of Investments

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

Non-Control/Non-Affiliate Investments Non-Control/Non-Affiliate investments are those that are neither control nor affiliate investments and in which we typically own less than 5.0% of the issued and outstanding voting securities;

Affiliate Investments Affiliate investments 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; and

Control Investments Control investments are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

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 the assumptions that the Valuation Team believes market participants would use, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default, and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by 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.

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

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

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 March 31, 2018 and 2017, certain of our loans to Alloy Die Casting Co. (ADC) and Tread Corporation (Tread) were on non-accrual status, with an aggregate debt cost basis of $15.6 million as of each period, or 3.6% and 4.1%, respectively, of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $12.5 million and $11.9 million, respectively, or 3.1% and 3.3%, respectively, 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 March 31, 2018 and 2017, we did not have any loans with a PIK interest component. During the years ended March 31, 2018, 2017, and 2016, we did not record any PIK income, nor did we collect any PIK interest in cash.

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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. During the year ended March 31, 2017, we re-characterized $0.5 million of dividend income from our investment in Behrens Manufacturing, LLC, which was originally recorded during our fiscal year ended March 31, 2016, as a return of capital.

Cash and Cash Equivalents

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

Restricted Cash 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 prefered 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.

Federal Income Taxes

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 taxable ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (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 intend to continue to make sufficient distributions to qualify as a RIC and to generally limit taxable income, although we may retain some or all of our net long-term capital gains and pay income taxes on such gains. Refer to Note 10 *Federal and State Income Taxes* for additional information regarding our RIC requirements.

FASB ASC 740, *Income Taxes* (ASC 740) requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authorities. Tax positions not deemed to satisfy the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current fiscal year. We have evaluated the implications of ASC 740 for all open tax years and in all major tax jurisdictions and determined that there is no material impact on our accompanying *Consolidated Financial Statements*. Our federal tax returns for fiscal years 2017, 2016, and 2015 remain subject to examination by the Internal Revenue Service (IRS).

Distributions

Distributions to stockholders are recorded on the ex-dividend date. We are required to distribute at least 90% of our Investment Company Taxable Income for each taxable year as a distribution to our stockholders in order to maintain our ability to be taxed as a RIC under Subchapter M of the Code. It is our policy to generally pay out as a distribution up to 100% of those amounts. The amount to be paid is determined by our Board of Directors quarterly and is based upon management s estimate of Investment Company Taxable Income and net long-term capital gains. Based on that estimate, our Board of Directors declares monthly distributions, and supplemental distributions, as applicable, to common stockholders each quarter. At fiscal year-end, we may elect to treat a portion of the first distributions paid after year-end as having been paid in the prior year in accordance with Section 855(a) of the Code. 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 capital gains to stockholders in cash. If we retain long-term capital gains, we will be subject to federal and state income taxes on such retained capital gains. If we deem long-term capital gains to be distributed, among other consequences, we will pay federal tax on the retained net long-term capital gains, each stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the stockholder, and the stockholder will be entitled to claim a credit or refund equal to its allocable share of the tax we pay on the retained long-term capital gain. Refer to Note 9 *Distributions to Common Stockholders* for further information.

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 so elect 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 dividend reinvestment plan is not open to holders of our preferred stock.

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Recent Accounting Pronouncements

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

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

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

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

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

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which was amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), in May 2016 by FASB Accounting Standards Update

2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), and in December 2016 by FASB Accounting Standards Update 2016-20, *Technical*

Corrections and Improvements to Topic 606 (ASU 2016-20). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and will expand disclosures about revenue. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We have assessed the impact of ASU 2014-09, as amended, and identified similar performance obligations as compared to existing guidance. As a result, we do not anticipate a material change in the timing of revenue recognition or a material impact on our financial position, results of operations, or cash flows from adopting this standard.

NOTE 3. INVESTMENTS

Fair Value

In accordance with ASC 820, our investments fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists, or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

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

We transfer investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the year ended March 31, 2018, we transferred our investment in Funko from Level 3 to Level 2 as a result of the initial public offering of Funko, Inc. in November 2017 due to the convertibility of our investment into shares of Funko, Inc. In April 2017, we transferred our investment in AquaVenture from Level 2 to Level 1 as a result of the expiration of the lock-up period from the initial public offering in October 2016 and subsequently sold our investment. During the year ended March 31, 2017, we transferred our investment in AquaVenture from Level 3 to Level 2 as a result of its initial public offering in October 2016.

As of March 31, 2018 and 2017, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of 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(A)	28,608
Total Investments at March 31, 2018	**$ 599,147**	**$**	**$ 194**	**$ 598,953**

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

(A)

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

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

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The following table presents our investments, valued using Level 3 inputs within the ASC 820 fair value hierarchy, and carried at fair value as of March 31, 2018 and 2017, by caption on our accompanying *Consolidated Statements of Assets and Liabilities,* and by security type:

	Total Recurring Fair Value Measurements Reported in *Consolidated Statements of Assets and Liabilities* Valued Using Level 3 Inputs March 31,	
	2018	**2017**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 126,913**	$ 108,613
Secured second lien debt	**30,300**	45,822
Preferred equity	**61,282**	44,142
Common equity/equivalents	**28,608**(A)	21,441(B)
Total Non-Control/Non-Affiliate Investments	**247,103**	220,018
Affiliate Investments		
Secured first lien debt	**173,943**	154,737
Secured second lien debt	**62,039**	44,218
Preferred equity	**103,411**	63,131
Common equity/equivalents		
Total Affiliate Investments	**339,393**	262,086
Control Investments		
Secured first lien debt	**5,000**	4,800
Secured second lien debt	**5,000**	5,000
Preferred equity	**2,457**	6,242
Common equity/equivalents		
Total Control Investments	**12,457**	16,042
Total investments at fair value using Level 3 inputs	**$ 598,953**	$ 498,146

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

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

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In accordance with ASC 820, the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of March 31, 2018 and 2017. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt-related calculations and on the cost basis for all equity-related calculations for the particular input.

	Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value as of March 31, 2018	**Fair Value as of March 31, 2017**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted Average as of March 31, 2018**	**Range / Weighted Average as of March 31, 2017**
Secured first lien debt	**$ 286,828**(A)	$ 232,590(A)	TEV	EBITDA multiple	4.7x 8.3x / 6.1x	4.3x 7.9x /6.2x
				EBITDA	$1,298 $14,085 / $5,575	$897 $10,887 / $4,093
				Revenue multiple	0.3x 0.7x / 0.6x	
				Revenue	$15,528 $30,561 / $24,780	
	19,028	35,560	Yield Analysis	Discount Rate	19.8% 21.3% / 20.6%	13.1% 30.3% / 19.7%
Secured second lien debt	**87,360**(B)	81,747(B)	TEV	EBITDA multiple	3.3x 6.8x / 6.2x	5.3x 7.4x / 6.4x
				EBITDA	$2,683 $8,795 / $6,827	$2,357 $5,824 / $4,588
				Revenue multiple	0.9x 0.9x / 0.9x	
				Revenue	$21,439 $21,439 / $21,439	
	9,979	13,293	Yield Analysis	Discount Rate	19.4% 20.9% / 19.5%	9.2% 9.2% / 9.2%
Preferred equity(C)	**167,150**	113,515	TEV	EBITDA multiple	3.3x 8.3x / 6.0x	4.8x 7.9x / 6.3x
				EBITDA	$1,298 $14,085 / $5,344	$897 $97,366 / $4,415
				Revenue multiple	0.3x 0.9x / 0.7x	0.5x 0.5x / 0.5x

				Revenue	$15,528	$30,561 / $25,303	$21,662	$21,662 / $21,662
Common equity/equivalents[(D)]	**28,608**[(E)]	21,441[(F)]	TEV	EBITDA multiple	4.9x	6.2x / 5.6x	4.3x	9.8x / 6.0x
				EBITDA	$1,298	$5,842 / $2,491	$897	$13,378 / $3,687
				Revenue multiple	0.3x	0.9x / 0.3x	0.5x	0.5x / 0.5x
				Revenue	$15,528	$21,439 / $15,543	$21,662	$21,662 / $21,662
Total	**$ 598,953**	$ 498,146						

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(A) 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 for $10.0 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes two new proprietary debt investments for a combined $24.0 million, which were valued at cost using the transaction price as the unobservable input.

(B) Fair value as of March 31, 2018 includes one proprietary debt investment for $13.0 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes one proprietary debt investment for $15.2 million, which was valued at the expected payoff amount as the unobservable input.

(C) Fair value as of March 31, 2018 includes one proprietary equity investment for $3.4 million, which was valued at the expected payoff amount as the unobservable input. Fair value as of March 31, 2017 includes one new proprietary equity investment for $5.9 million, which was valued at cost using the transaction price as the unobservable input, and one proprietary equity investment for $3.9 million, which was valued at the expected payoff amount as the unobservable input.

(D) Fair value as of 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. Fair value as of March 31, 2017 includes one proprietary equity investment for $28, which was valued at the expected payoff amount as the unobservable input.

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

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

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.

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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 years ended March 31, 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
Year ended March 31, 2018:					
Fair value as of March 31, 2017	**$ 268,150**	**$ 95,040**	**$ 113,515**	**$ 21,441**	**$ 498,146**
Total gain (loss):					
Net realized gain[(A)]			982		982
Net unrealized appreciation (depreciation)[(B)]	(5,640)	(8,453)	42,610	7,195	35,712
Reversal of previously recorded (appreciation) depreciation upon realization[(B)]	1,881	(1,670)	1,102	868	2,181
New investments, repayments and settlements[(C)]:					
Issuances / originations	91,932	27,383	22,216		141,531
Settlements / repayments	(42,150)	(23,278)			(65,428)
Sales			(13,116)	(896)	(14,012)
Transfers[(D)]	(8,317)	8,317	(159)		(159)
Fair value as of March 31, 2018	**$ 305,856**	**$ 97,339**	**$ 167,150**	**$ 28,608**	**$ 598,953**

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Year ended March 31, 2017:					
Fair value as of March 31, 2016	$ **280,037**	$ **64,484**	$ **113,550**	$ **29,585**	$ **487,656**
Total gain (loss):					
Net realized gain (loss)[(A)]	(7,725)		3,436	18,903	14,614
Net unrealized appreciation (depreciation)[(B)]	(9,258)	10,456	19,400	3,769	24,367
Reversal of previously recorded (appreciation) depreciation upon realization[(B)]	8,796		(18,525)	(6,834)	(16,563)

New investments, repayments and settlements(C):					
Issuances / originations	37,482	19,600	13,659	501	71,242
Settlements / repayments	(26,182)	(14,500)			(40,682)
Sales			(18,005)	(20,124)	(38,129)
Transfers(D)	(15,000)	15,000		(4,359)	(4,359)
Fair value as of March 31, 2017	**$ 268,150**	**$ 95,040**	**$ 113,515**	**$ 21,441**	**$ 498,146**

(A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the years ended March 31, 2018 and 2017.

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

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

2017: Transfers represent $15.0 million of secured first lien debt of Cambridge Sound Management, Inc. (Cambridge), which was converted into secured second lien debt during the three months ended September 30, 2016, and $4.4 million of common equity of AquaVenture, which was transferred from Level 3 to Level 2 during the three months ended December 31, 2016 as a result of its initial public offering.

Investment Activity

During the fiscal year ended March 31, 2018, the following significant transactions occurred:

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

In May and June 2017, we sold a portion of our common stock investment in AquaVenture resulting in net cash proceeds of $2.0 million, which represented a return of capital. In December 2017, we sold another portion of our common stock investment in AquaVenture resulting in net cash proceeds of $1.2 million, which also represented a return of capital. In March 2018, we sold the remaining portion of our common stock investment in AquaVenture resulting in net cash proceeds of $0.2 million, which resulted in a nominal realized gain.

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

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

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

In November 2017, we invested $31.1 million in ImageWorks Display and Marketing Group, Inc. (ImageWorks) through a combination of secured first lien debt and preferred equity. ImageWorks,

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headquartered in Winston-Salem, North Carolina, is a market leading point-of-purchase display provider specializing in the design, engineering and production of custom semi-permanent and permanent displays across a variety of brands and consumer product end markets.

In December 2017, we invested $6.9 million in an existing portfolio company, Brunswick Bowling Products, Inc. (Brunswick), through a secured first lien debt investment. In January 2018, we refinanced our existing loans to Brunswick into a new secured first lien debt investment with a principal and cost basis of $17.7 million.

In January 2018, we invested $8.5 million in an existing portfolio company, Schylling, Inc., through a secured first lien debt investment and also provided a $6.0 million secured first lien bridge loan.

In January 2018, we provided an $11.0 million secured first lien bridge loan to an existing portfolio company, Nth Degree, Inc. (Nth Degree), which was repaid at par in March 2018.

Investment Concentrations

As of March 31, 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 $599.1 million. Our investments in Cambridge, Nth Degree, J.R. Hobbs Co. Atlanta, LLC, Brunswick, and ImageWorks represent our five largest portfolio investments at fair value, and collectively comprised $183.4 million, or 30.5%, of our total investment portfolio at fair value.

The following table summarizes our investments by security type as of March 31, 2018 and 2017:

	March 31, 2018				**March 31, 2017**			
	Cost		**Fair Value**		**Cost**		**Fair Value**	
Secured first lien debt	**$ 321,303**	**54.9%**	**$ 305,856**	**51.0%**	$ 284,823	54.3%	$ 268,150	53.5%
Secured second lien debt	**110,484**	**18.9**	**97,339**	**16.2**	93,078	17.7	95,040	18.9
Total debt	**431,787**	**73.8**	**403,195**	**67.2**	377,901	72.0	363,190	72.4
Preferred equity	**150,708**	**25.8**	**167,150**	**28.0**	140,791	26.8	113,515	22.6
Common equity/equivalents	**2,351**	**0.4**	**28,802**	**4.8**	6,477	1.2	24,874	5.0
Total equity/equivalents	**153,059**	**26.2**	**195,952**	**32.8**	147,268	28.0	138,389	27.6
Total investments	**$ 584,846**	**100.0%**	**$ 599,147**	**100.0%**	$ 525,169	100.0%	$ 501,579	100.0%

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Investments at fair value consisted of the following industry classifications as of March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Fair Value	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Diversified/Conglomerate Services	**$ 136,719**	**22.8%**	$ 85,248	17.0%
Home and Office Furnishings, Housewares, and Durable Consumer Products	**128,529**	**21.5**	93,062	18.6
Chemicals, Plastics, and Rubber	**55,740**	**9.3**	65,156	13.0
Leisure, Amusement, Motion Pictures, Entertainment	**43,048**	**7.2**	32,453	6.5
Personal and Non-Durable Consumer Products (Manufacturing Only)	**42,836**	**7.1**	19,011	3.8
Diversified/Conglomerate Manufacturing	**29,942**	**5.0**	40,303	8.0
Machinery (Non-agriculture, Non-construction, Non-electronic)	**21,915**	**3.7**	17,283	3.4
Farming and Agriculture	**21,483**	**3.6**	19,096	3.8
Containers, Packaging, and Glass	**21,387**	**3.6**	18,266	3.6
Textiles and Leather	**19,407**	**3.2**	20,369	4.1
Cargo Transport	**15,816**	**2.6**	15,891	3.2
Telecommunications	**14,000**	**2.3**	14,000	2.8
Automobile	**13,830**	**2.3**	20,792	4.1
Aerospace and Defense	**12,457**	**2.1**	16,042	3.2
Beverage, Food, and Tobacco	**11,605**	**1.9**	14,802	3.0
Other < 2.0%	**10,433**	**1.8**	9,805	1.9
Total investments	**$ 599,147**	**100.0%**	$ 501,579	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of March 31, 2018 and 2017:

	March 31, 2018		March 31, 2017	
	Fair Value	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
South	**$ 221,725**	**37.0%**	$ 175,136	34.9%
Northeast	**188,911**	**31.5**	159,614	31.8
West	**133,774**	**22.3**	123,475	24.6
Midwest	**54,737**	**9.2**	43,354	8.7
Total investments	**$ 599,147**	**100.0%**	$ 501,579	100.0%

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

Investment Principal Repayments

The following table summarizes the contractual principal repayment and maturity of our investment portfolio for the next five fiscal years and thereafter, assuming no voluntary prepayments, as of March 31, 2018:

		Amount
For the fiscal years ending March 31:	2019	$ 80,494
	2020	98,913
	2021	73,700
	2022	80,446
	2023	73,700
	Thereafter	24,618
	Total contractual repayments	**$ 431,871**
	Adjustments to cost basis of debt investments	(84)
	Investments in equity securities	153,059
	Total cost basis of investments held as of March 31, 2018:	**$ 584,846**

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 March 31, 2018 and 2017, we had gross receivables from portfolio companies of $0.7 million and $1.2 million, respectively. The allowance for uncollectible receivables was $0.2 million and $0.3 million as of March 31, 2018 and 2017, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS

Transactions with the Adviser

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

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

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

	Year Ended March 31,		
	2018	**2017**	**2016**
Average total assets subject to base management fee[A]	**$ 539,800**	$ 496,250	$ 496,250
Multiplied by annual base management fee of 2.0%	**2.0%**	2.0%	2.0%
Base management fee[B]	**10,796**	9,925	9,925
Credits to fees from Adviser other[B]	**(3,674)**	(3,506)	(3,126)
Net base management fee	**$ 7,122**	$ 6,419	$ 6,799
Loan servicing fee[B]	**6,277**	6,606	6,697
Credits to base management fee loan servicing fee[B]	**(6,277)**	(6,606)	(6,697)
Net loan servicing fee	**$**	$	$
Incentive fee income-based	**$ 6,249**	$ 4,750	$ 5,179
Incentive fee capital gains-based[C]	**4,399**		
Total incentive fee[B]	**10,648**	4,750	5,179
Credits to fees from Adviser other[B]			
Net total incentive fee	**$ 10,648**	$ 4,750	$ 5,179

(A) Average total assets subject to the base management fee is defined in the Advisory Agreement as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.

(B) Reflected as a line item on our accompanying *Consolidated Statement of Operations*.

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

Base Management Fee

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

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting, and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members. The Adviser non-contractually, unconditionally, and irrevocably credits 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling $0.2 million, $0.3 million, and $0.2 million for the years ended March 31, 2018, 2017, and 2016, 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.

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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 March 31, 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. As of and for the year ended March 31, 2018, we recorded a capital gains-based incentive fee of $4.4 million, which is not contractually due under the terms of the Advisory Agreement. There has been no GAAP accrual of a capital gains-based incentive fee for any year prior to March 31, 2018.

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 are 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 11, 2017, 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, 2018.

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 $0.6 million, $0.5 million, and $0.6 million during the years ended March 31, 2018, 2017, and 2016, respectively.

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Related Party Fees Due

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

	As of March 31,	
	2018	**2017**
Base management and loan servicing fee due to Adviser, net of credits	**$ 540**	$ 346
Incentive fee due to Adviser[A]	**6,122**	1,324
Other due to Adviser	**9**	1
Total fees due to Adviser	**$ 6,671**	$ 1,671
Fee due to Administrator	**$ 317**	$ 296
Total related party fees due	**$ 6,988**	$ 1,967

(A) Includes a capital gains-based incentive fee of $4.4 million and $0 as of March 31, 2018 and 2017, respectively, recorded in accordance with GAAP requirements and which is not contractually due under the terms of the Advisory Agreement. Refer to Note 4 *Related Party Transactions Transactions with the Adviser Incentive Fee* for additional information.

Net expenses receivable from Gladstone Capital Corporation, one of our affiliated funds, for reimbursement purposes, which includes certain co-investment expenses, totaled $16 and $27 as of March 31, 2018 and 2017, respectively. These amounts are generally settled in the quarter subsequent to being incurred and have been included in Other Assets, net or Other liabilities, as appropriate, on the accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2018 and 2017, respectively.

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%. 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.

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

	As of March 31,	
	2018	**2017**
Commitment amount	**$ 165,000**	$ 165,000
Borrowings outstanding at cost	**107,000**	69,700
Availability[(A)]	**58,000**	95,300

	For the Years Ended March 31		
	2018	**2017**	**2016**
Weighted average borrowings outstanding	**$ 67,772**	$ 67,364	$ 94,608
Effective interest rate[(B)]	**5.42%**	4.72%	4.04%
Commitment (unused) fees incurred	**$ 582**	$ 598	$ 465

(A) Availability is subject to various constraints, characteristics, and applicable advance rates based on collateral quality under the Credit Facility, which equated to an adjusted availability of $53.8 million and $93.4 million as of March 31, 2018 and 2017, respectively.

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

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 policy without the 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 us to maintain (i) a minimum net worth (defined in the Credit Facility to include our mandatory redeemable term preferred stock) of the greater of (a) $210.0 million or (b) $210.0 million plus 50% of all equity and subordinated debt raised minus 50% of any equity or subordinated debt redeemed or retired after November 16, 2016, which equated to $221.2 million as of March 31, 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 18 of the 1940 Act); and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of March 31, 2018, and as defined in the performance guaranty of the Credit Facility, we had a net worth of $488.8 million, an asset coverage ratio on our senior securities representing indebtedness of 525.7%, 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 March 31, 2018, we were in compliance with all covenants under the Credit Facility.

In July 2013, pursuant to the terms of the then effective revolving line of credit, we entered into an interest rate cap agreement with KeyBank effective October 2013 for a notional amount of $45.0 million. The interest rate cap agreement expired in April 2016. Prior to its expiration in April 2016, the agreement effectively limited the interest rate on a portion of our borrowings under the then effective revolving line of credit. We incurred a premium fee of $75 in conjunction with this agreement, which was recorded in Net realized loss on other on our accompanying *Consolidated Statements of Operations* during the year ended March 31, 2017.

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 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 March 31, 2018 and 2017, the discount rate used to determine the fair value of the Credit Facility was 30-day LIBOR, plus 2.85% and 3.15%, respectively, per annum, and 30-day LIBOR, plus an unused fee of 0.5% and 0.6% respectively. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding decrease or increase, respectively, in the fair value of the Credit Facility. At each of March 31, 2018 and 2017, the Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in Net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables provide relevant information and disclosures about the Credit Facility as of and for the years ended March 31, 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) As of March 31,	
	2018	**2017**
Credit Facility	**$ 107,500**	$ 69,700

Fair Value Measurements of Borrowings Using

Significant Unobservable Inputs (Level 3)
Reported in

Consolidated Statements

of Assets and Liabilities

	Credit Facility
Year ended March 31, 2018:	
Fair value at March 31, 2017	$ 69,700
Borrowings	132,100
Repayments	(94,800)
Unrealized appreciation	500
Fair value at March 31, 2018	**$ 107,500**
Year ended March 31, 2017:	
Fair value at March 31, 2016	$ 95,000
Borrowings	83,400
Repayments	(108,700)
Fair value at March 31, 2017	**$ 69,700**

The fair value of the collateral under the Credit Facility was $504.0 million and $448.0 million as of March 31, 2018 and 2017, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In September 2016, we completed a public offering of 2,300,000 shares of 6.25% Series D Cumulative Term Preferred Stock (our Series D Term Preferred Stock or Series D) 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.

The shares of Series D Term Preferred Stock are traded under the ticker symbol GAINM on the Nasdaq Global Select Market (Nasdaq). Our Series D Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.25% per year, payable monthly. 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 an asset coverage ratio 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 ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio 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.

In May 2015, we completed a public offering of 1,610,000 shares of 6.50% Series C Cumulative Term Preferred Stock (our Series C Term Preferred Stock or Series C) 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.

The shares of Series C Term Preferred Stock are traded under the ticker symbol GAINN on the Nasdaq. 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. 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 an asset coverage ratio 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 C Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio 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 on or after May 31, 2018.

In November 2014, we completed a public offering of 1,656,000 shares of 6.75% Series B Cumulative Term Preferred Stock (our Series B Term Preferred Stock or Series B) 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.

The shares of Series B Term Preferred Stock are traded under the ticker symbol GAINO on the Nasdaq. 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. 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, (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series B Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio 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.

In March 2012, we completed an offering of 1,600,000 shares of 7.125% Series A Cumulative Term Preferred Stock (our Series A Term Preferred Stock or Series A) at a public offering price of $25.00 per share. Gross proceeds totaled $40.0 million, and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $38.0 million, a portion of which was used to repay borrowings under the Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. Total underwriting discounts and offering costs related to this offering were $2.0 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and which, prior to the redemption in September 2016, were amortized over the period ending February 28, 2017, the mandatory redemption date.

In September 2016, we used a portion of the proceeds from the issuance of our Series D Term Preferred Stock to voluntarily redeem all 1.6 million outstanding shares of our Series A Term Preferred Stock, which had a liquidation preference of $25.00 per share. In connection with this voluntary redemption, we incurred a loss on extinguishment of debt of $0.2 million, which has been recorded in Realized loss on other in our accompanying

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Consolidated Statements of Operations and which was primarily comprised of unamortized deferred issuance costs at the time of redemption.

Prior to its redemption in September 2016, our Series A Term Preferred Stock provided for a fixed dividend equal to 7.125% per year, payable monthly. We were required to redeem all of the outstanding Series A Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to $25.00 per share plus an amount equal to accumulated but unpaid dividends, if any, to the date of redemption. Our Series A Term Preferred Stock was not convertible into our common stock or any other security.

The following tables summarize our Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock outstanding as of March 31, 2018 and 2017:

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**

As of March 31, 2017:

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

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

(B) As of March 31, 2018 and 2017, the asset coverage on our senior securities that are stock calculated pursuant to Sections 18 and 61 of the 1940 Act was 237.3% and 235.6%, respectively.

(C) Reflected as a line item on our accompanying *Consolidated Statements of Assets and Liabilities* pursuant to the adoption of Accounting Standard Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

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The following tables summarize dividends declared by our Board of Directors and paid by us on each of our series of mandatorily redeemable preferred stock during the years ended March 31, 2018, 2017, and 2016:

For the Year Ended March 31, 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[(A)]
April 11, 2017	April 21, 2017	April 28, 2017	$ 0.140625	$ 0.135417	$ 0.13020833
April 11, 2017	May 19, 2017	May 31, 2017	0.140625	0.135417	0.13020833
April 11, 2017	June 21, 2017	June 30, 2017	0.140625	0.135417	0.13020833
July 11, 2017	July 21, 2017	July 31, 2017	0.140625	0.135417	0.13020833
July 11, 2017	August 21, 2017	August 31, 2017	0.140625	0.135417	0.13020833
July 11, 2017	September 20, 2017	September 29, 2017	0.140625	0.135417	0.13020833
October 10, 2017	October 20, 2017	October 31, 2017	0.140625	0.135417	0.13020833
October 10, 2017	November 20, 2017	November 30, 2017	0.140625	0.135417	0.13020833
October 10, 2017	December 19, 2017	December 29, 2017	0.140625	0.135417	0.13020833
January 9, 2018	January 22, 2018	January 31, 2018	0.140625	0.135417	0.13020833
January 9, 2018	February 16, 2018	February 28, 2018	0.140625	0.135417	0.13020833
January 9, 2018	March 20, 2018	March 30, 2018	0.140625	0.135417	0.13020833
		Total	**$ 1.687500**	**$ 1.625004**	**$ 1.56249996**

For the Year Ended March 31, 2017:

Declaration Date	Record Date	Payment Date	Dividend per Series A Term Preferred Share[(B)]	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share	Dividend per Series D Term Preferred Share
April 12, 2016	April 22, 2016	May 2, 2016	$ 0.1484375	$ 0.140625	$ 0.135417	$
April 12, 2016	May 19, 2016	May 31, 2016	0.1484375	0.140625	0.135417	
April 12, 2016	June 17, 2016	June 30, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	July 22, 2016	August 2, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	August 22, 2016	August 31, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	September 21, 2016	September 30, 2016	0.1484375	0.140625	0.135417	
October 11, 2016	October 21, 2016	October 31, 2016		0.140625	0.135417	0.15190972[(C)]
October 11, 2016	November 17, 2016	November 30, 2016		0.140625	0.135417	0.13020833
October 11, 2016	December 20, 2016	December 30, 2016		0.140625	0.135417	0.13020833
January 10, 2017	January 20, 2017	January 31, 2017		0.140625	0.135417	0.13020833
January 10, 2017	February 16, 2017	February 28, 2017		0.140625	0.135417	0.13020833

January 10, 2017	March 22, 2017	March 31, 2017		0.140625	0.135417	0.13020833
		Total	**$ 0.8906250**	**$ 1.687500**	**$ 1.625004**	**$ 0.80295137**

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For the Year Ended March 31, 2016:

Declaration Date	Record Date	Payment Date	Dividend per Share of Series A Term Preferred Stock	Dividend per Share of Series B Term Preferred Stock	Dividend per Share of Series C Term Preferred Stock(D)
April 14, 2015	April 24, 2015	May 5, 2015	$ 0.1484375	$ 0.140625	$
April 14, 2015	May 19, 2015	May 29, 2015	0.1484375	0.140625	
April 14, 2015	June 19, 2015	June 30, 2015	0.1484375	0.140625	
May 14, 2015	June 19, 2015	June 30, 2015			0.221181(E)
July 14, 2015	July 24, 2015	August 4, 2015	0.1484375	0.140625	0.135417
July 14, 2015	August 20, 2015	August 31, 2015	0.1484375	0.140625	0.135417
July 14, 2015	September 21, 2015	September 30, 2015	0.1484375	0.140625	0.135417
October 13, 2015	October 26, 2015	November 4, 2015	0.1484375	0.140625	0.135417
October 13, 2015	November 17, 2015	November 30, 2015	0.1484375	0.140625	0.135417
October 13, 2015	December 18, 2015	December 31, 2015	0.1484375	0.140625	0.135417
January 12, 2016	January 22, 2016	February 2, 2016	0.1484375	0.140625	0.135417
January 12, 2016	February 18, 2016	February 29, 2016	0.1484375	0.140625	0.135417
January 12, 2016	March 21, 2016	March 31, 2016	0.1484375	0.140625	0.135417
		Total	**$ 1.7812500**	**$ 1.687500**	**$ 1.439934**

(A) We issued our Series D Term Preferred Stock on September 26, 2016.

(B) We voluntarily redeemed all outstanding shares of our Series A Term Preferred Stock on September 30, 2016.

(C) Represents a combined dividend for a prorated month of September 2016, based upon the issuance date of our Series D Term Preferred Stock, combined with a full month of October 2016.

(D) We issued our Series C Term Preferred Stock on May 12, 2015.

(E) Represents a combined dividend for a prorated month of May 2015, based upon the issuance date of our Series C Term Preferred Stock, combined with a full month of June 2015.

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. The tax characterization of dividends paid to our preferred stockholders during the calendar year ended December 31, 2017 was 93.8% from ordinary income and 6.2% from capital gains. The tax characterization of distributions paid to our preferred stockholders during each of the calendar years ended December 31, 2016 and 2015 was 100% from ordinary income.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities on the balance sheet. Our mandatorily redeemable preferred stock is recorded at the liquidation preference, less discounts, on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2018 and 2017. The related dividend payments to preferred stockholders are treated as dividend expense on our accompanying *Consolidated Statements of Operations* on the ex-dividend date.

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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 March 31, 2018 and 2017, each of which we consider to be a Level 1 input within the ASC 820 fair value hierarchy:

	Fair Value as of March 31,	
	2018	**2017**
Series B Term Preferred Stock	**$ 41,814**	$ 42,973
Series C Term Preferred Stock	**40,862**	41,216
Series D Term Preferred Stock	**58,282**	58,719
Total	**$ 140,958**	$ 142,908

NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS

Registration Statement

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed Pre-Effective Amendment No. 1 thereto on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. On July 28, 2017, we filed Post-Effective Amendment No. 5 to the registration statement, which the SEC declared effective on July 31, 2017. 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 March 31, 2018, we have the ability to issue up to $220.0 million in securities under the registration statement.

Common Equity Offerings

In February 2018, we entered into equity distribution 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. During the year ended March 31, 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 of March 31, 2018, we had a remaining capacity to sell up to $33.7 million of common stock under the ATM program.

Pursuant to our current 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.

Pursuant to our prior registration statement on Form N-2, in March 2015, we completed a public offering of 3.3 million shares of our common stock at a public offering price of $7.40 per share, which was below our then

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current NAV per share. Gross proceeds totaled $24.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were $23.0 million, which was used to repay borrowings under the Credit Facility. In April 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price of $7.40 per share to cover over-allotments, which resulted in gross proceeds of $3.7 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, of $3.4 million.

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

The following table sets forth the computation of basic and diluted Net increase in net assets resulting from operations per weighted average common share for the years ended March 31, 2018, 2017, and 2016:

	Year Ended March 31,		
	2018	**2017**	**2016**
Numerator: net increase in net assets resulting from operations	**$ 60,687**	$ 44,763	$ 24,854
Denominator: basic and diluted weighted average common shares	**32,268,776**	30,270,958	30,268,253
Basic and diluted net increase in net assets resulting from operations per weighted average common share	**$ 1.88**	$ 1.48	$ 0.82

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, at least 90% of our Investment Company Taxable Income. The amount to be paid out as distributions to our common stockholders is determined by our Board of Directors quarterly and is based upon management s estimate of Investment Company Taxable Income and net long-term capital gains. Based on that estimate, our Board of Directors declares monthly distributions, and supplemental distributions, as appropriate, to common stockholders each quarter.

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 each calendar year. Estimates of tax characterization made on a quarterly basis may not be representative of the actual tax characterization of distributions for the full year. Estimates made on a quarterly basis are updated as of each interim reporting date. The tax characterization of distributions paid to our common stockholders during the calendar year ended December 31, 2017 was 93.8% from ordinary income and 6.2% from capital gains. The tax characterization of distributions paid to our common stockholders during each of the calendar years ended December 31, 2016 and 2015 was 100% from ordinary income.

We paid the following monthly distributions to our common stockholders for the years ended March 31, 2018, 2017 and 2016:

Fiscal Year	Declaration Date	Record Date	Payment Date

				Distribution per Common Share
2018	April 11, 2017	April 21, 2017	April 28, 2017	**$0.064**
	April 11, 2017	May 19, 2017	May 31, 2017	**0.064**
	April 11, 2017	June 5, 2017	June 15, 2017	**0.060[(A)]**
	April 11, 2017	June 21, 2017	June 30, 2017	**0.064**
	July 11, 2017	July 21, 2017	July 31, 2017	**0.064**
	July 11, 2017	August 21, 2017	August 31, 2017	**0.064**
	July 11, 2017	September 20, 2017	September 29, 2017	**0.064**
	October 10, 2017	October 20, 2017	October 31, 2017	**0.065**
	October 10, 2017	November 20, 2017	November 30, 2017	**0.065**

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Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
	October 10, 2017	December 5, 2017	December 15, 2017	**0.060(A)**
	October 10, 2017	December 19, 2017	December 29, 2017	**0.065**
	January 9, 2018	January 22, 2018	January 31, 2018	**0.065**
	January 9, 2018	February 16, 2018	February 28, 2018	**0.065**
	January 9, 2018	March 20, 2018	March 30, 2018	**0.065**
			Year Ended March 31, 2018:	**$0.894**

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2017	April 12, 2016	April 22, 2016	May 2, 2016	**$0.0625**
	April 12, 2016	May 19, 2016	May 31, 2016	**0.0625**
	April 12, 2016	June 17, 2016	June 30, 2016	**0.0625**
	July 12, 2016	July 22, 2016	August 2, 2016	**0.0625**
	July 12, 2016	August 22, 2016	August 31, 2016	**0.0625**
	July 12, 2016	September 21, 2016	September 30, 2016	**0.0625**
	October 11, 2016	October 21, 2016	October 31, 2016	**0.0625**
	October 11, 2016	November 17, 2016	November 30, 2016	**0.0625**
	October 11, 2016	December 20, 2016	December 30, 2016	**0.0625**
	January 10, 2017	January 20, 2017	January 31, 2017	**0.0625**
	January 10, 2017	February 16, 2017	February 28, 2017	**0.0625**
	January 10, 2017	March 22, 2017	March 31, 2017	**0.0625**
			Year Ended March 31, 2017:	**$0.75**

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2016	April 14, 2015	April 24, 2015	May 5, 2015	$0.0625
	April 14, 2015	May 19, 2015	May 29, 2015	0.0625
	April 14, 2015	June 19, 2015	June 30, 2015	0.0625
	July 14, 2015	July 24, 2015	August 4, 2015	0.0625
	July 14, 2015	August 20, 2015	August 31, 2015	0.0625
	July 14, 2015	September 21, 2015	September 30, 2015	0.0625
	October 13, 2015	October 26, 2015	November 4, 2015	0.0625
	October 13, 2015	November 17, 2015	November 30, 2015	0.0625
	October 13, 2015	December 18, 2015	December 31, 2015	0.0625
	January 12, 2016	January 22, 2016	February 2, 2016	0.0625
	January 12, 2016	February 18, 2016	February 29, 2016	0.0625
	January 12, 2016	March 21, 2016	March 31, 2016	0.0625
			Year Ended March 31, 2016:	**$0.75**

(A) Represents a supplemental distribution to common stockholders.

Aggregate distributions to our common stockholders declared quarterly and paid for the years ended March 31, 2018, 2017 and 2016 were $28.9 million, $22.7 million, and $22.7 million, respectively, and were declared based on estimates of Investment Company Taxable Income and net long-term capital gains for the respective fiscal years. For each of the fiscal years ended March 31, 2018, 2017, and 2016, Investment Company Taxable Income, as applicable, exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat $8.4 million, $8.2 million, and $6.9 million, respectively, of the first distributions paid to common stockholders in the respective subsequent fiscal year as having been paid in the respective prior year.

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

	Year Ended March 31, 2018	Year Ended March 31, 2017
Common stock	**$ 33**	$ 30
Capital in excess of par value	**330,661**	310,332
Cumulative unrealized appreciation (depreciation) of investments	**14,303**	(23,590)
Cumulative unrealized appreciation of other	**(500)**	
Undistributed ordinary income	**8,401**	8,210
Undistributed capital gain	**2,132**	2,316
Other temporary differences	**(830)**	3,784
Net Assets	**$ 354,200**	**$ 301,082**

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 capital gains to stockholders in cash. If we retain long-term capital gains, we will be subject to federal and state income taxes on such retained capital gains. If we deem long-term capital gains to be distributed, among other consequences, we will pay federal tax on the retained net long-term capital gains, each stockholder will be required to include its share of the deemed distribution in income as if it had been actually distributed to the stockholder, and the stockholder will be entitled to claim a credit or refund equal to its allocable share of the tax we pay on the retained long-term capital gain. We had no deemed distributions during the years ended March 31, 2018, 2017, and 2016.

For the years ended March 31, 2018 and 2017, we recorded the following adjustments for permanent book-tax differences to reflect tax character. Results of operations, total net assets, and cash flows were not affected by these adjustments.

	Tax Year Ended March 31, 2018	Tax Year Ended March 31, 2017
Net investment income in excess of distributions	**$ 1,591**	$ 1,138
Accumulated net realized gain in excess of distributions	**(562)**	138
Capital in excess of par value	**(1,029)**	(1,276)

NOTE 10. FEDERAL AND STATE INCOME TAXES

We intend to continue to maintain our qualifications as a RIC for federal income tax purposes. As a RIC, we are generally not subject to federal income tax on the portion of our taxable income and gains that we distribute to 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. Because we have distributed or intend to distribute 100% of our Investment Company Taxable Income and net long-term capital gains, no income tax provisions have been recorded for the years ended March 31, 2018, 2017, and 2016.

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 for preceding years that were not distributed during such years. We incurred an excise tax of $0.2 million, $0.4 million, and $0.2 million for the calendar years ended December 31, 2017, 2016 and 2015, respectively.

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 March 31, 2018 and 2017.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation, or regulatory matters will have a material adverse effect on our financial condition, results of operation, or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and, therefore, as of March 31, 2018 and 2017, we had no established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in Restricted cash and cash equivalents, if received in cash but subject to potential obligations or other contractual restrictions, or as escrow receivables in Other assets, net, if not yet received in cash, on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish reserves and holdbacks against escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not ultimately be released or received at the end of the escrow period. Reserves and holdbacks against escrow amounts were $0.3 million and $0.5 million as of March 31, 2018 and 2017, respectively.

Financial Commitments and Obligations

We may have line of credit, delayed draw term loan, and other uncalled capital commitments to certain of our portfolio companies that have not been fully drawn. Since these line of credit, delayed draw term loan, and other uncalled capital commitments have expiration dates and we expect many will never be fully drawn, the total line of credit, delayed draw term loan, and other uncalled capital commitment amounts do not necessarily represent future cash requirements. In February 2015, we executed a capital call commitment with Tread and its senior credit facility lender, which was terminated in December 2017. Under the terms of the agreement, we were required to fund additional capital up to $10.0 million in Tread, with such commitment limited at all times to the actual amount outstanding under Tread s senior credit facility. The actual amount outstanding under Tread s senior credit facility was $0 as of March 31, 2017 and we did not make any capital contributions under the terms of the agreement. We estimate the fair value of the combined unused line of credit, delayed draw term loan, and other uncalled capital commitments as of March 31, 2018 and 2017 to be immaterial.

We have also extended a guaranty on behalf of one of our portfolio companies. During the years ended March 31, 2018 and 2017, we have not been required to make any payments on this guaranty, or any guaranties that existed in previous periods, and we consider the credit risk to be remote and the fair value of the guaranty as of March 31, 2018 and 2017 to be immaterial.

As of March 31, 2018, the following guaranty was outstanding:

In February 2010, we executed a guaranty of a wholesale financing facility agreement (the Floor Plan Facility) between Agricredit Acceptance, LLC (Agricredit) and Country Club Enterprises, LLC

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(CCE). The Floor Plan Facility provides CCE with financing of up to $2.0 million to bridge the time and cash flow gap between the order and delivery of golf carts to customers. The guaranty was renewed in February of each subsequent year through February 2018 and expires in February 2019, unless it is renewed again by us, CCE and Agricredit.

The following table summarizes the principal balances of unused line of credit, delayed draw term loan, and other uncalled capital commitments and guaranties as of March 31, 2018 and 2017, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	As of March 31,	
	2018	**2017**
Unused line of credit, delayed draw term loan, and other uncalled capital commitments	**$ 6,284**	$ 2,884
Guaranties	**2,000**	2,000
Total	**$ 8,284**	$ 4,884

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NOTE 12. FINANCIAL HIGHLIGHTS

	As of and for the Year Ended March 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Per Common Share Data:					
Net asset value at beginning of year(A)	**$ 9.95**	$ 9.22	$ 9.18	$ 8.34	$ 9.10
Income from investment operations(B)					
Net investment income	**0.68**	0.74	0.68	0.75	0.73
Net realized gain (loss) on sale of investments and other	**0.04**	0.51	(0.15)		0.31
Net unrealized appreciation (depreciation) of investments and other	**1.16**	0.23	0.29	1.13	(1.09)
Total from investment operations	**1.88**	1.48	0.82	1.88	(0.05)
Effect of equity capital activity(B)					
Cash distributions to common stockholders from net investment income(C)	**(0.84)**	(0.75)	(0.64)	(0.77)	(0.71)
Cash distributions to common stockholders from realized gains(C)	**(0.05)**		(0.11)		
Discounts, commissions, and offering costs	**(0.03)**		(0.01)	(0.03)	
Net dilutive effect of equity offering(D)	**(0.04)**		(0.03)	(0.22)	
Total from equity capital activity	**(0.96)**	(0.75)	(0.79)	(1.02)	(0.71)
Other, net(B)(E)	**(0.02)**		0.01	(0.02)	
Net asset value at end of year(A)	**$ 10.85**	$ 9.95	$ 9.22	$ 9.18	$ 8.34
Per common share market value at beginning of year	**$ 9.07**	$ 7.02	$ 7.40	$ 8.27	$ 7.31
Per common share market value at end of year	**10.10**	9.07	7.02	7.40	8.27
Total investment return(F)	**21.82%**	41.58%	4.82%	11.96%	24.26%
Common stock outstanding at end of year(A)	**32,653,635**	30,270,958	30,270,958	29,775,958	26,475,958
Statement of Assets and Liabilities Data:					
Net assets at end of year	**$ 354,200**	$ 301,082	$ 279,022	$ 273,429	$ 220,837
Average net assets(G)	**328,533**	294,030	276,293	229,350	231,356
Senior Securities Data:					
Total borrowings, at cost	**$ 112,096**	$ 74,796	$ 100,096	$ 123,896	$ 66,250
Mandatorily redeemable preferred stock(H)	**139,150**	139,150	121,650	81,400	40,000
Ratios/Supplemental Data:					
Ratio of net expenses to average net assets(I)	**11.08%**	10.02%	10.94%	9.48%	7.33%
	6.68	7.63	7.50	8.68	8.35

Ratio of net investment income to average net assets[J]

(A) Based on actual shares outstanding at the end of the corresponding year.
(B) Based on weighted average basic common share data for the corresponding year.
(C) The tax character of distributions is determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP. For further information on the estimated character of our distributions to common stockholders, including changes in estimates, as applicable, refer to Note 9 *Distributions to Common Stockholders*.
(D) During the years ended March 31, 2018, 2016, and 2015, the dilution is the result of issuing common shares at a price below the then current NAV per share.

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(E) Represents the impact of the different share amounts (weighted average basic common shares outstanding for the corresponding year and actual common shares outstanding at the end of the year) in the Per Common Share Data calculations and rounding impacts.

(F) Total return equals the change in the market value of our common stock from the beginning of the year, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, including changes in estimates, as applicable, refer to Note 9 *Distributions to Common Stockholders*.

(G) Calculated using the average balance of net assets at the end of each month of the reporting year.

(H) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

(I) Ratio of net expenses to average net assets is computed using total expenses, net of any non-contractual, unconditional, and irrevocable credits of fees from the Adviser. Had we not received any non-contractual, unconditional, and irrevocable credits of fees from the Adviser, the ratio of expenses to average net assets would have been 14.11%, 13.46%, 14.50%, 12.90%, and 10.20% for the fiscal years ended March 31, 2018, 2017, 2016, 2015, and 2014, respectively.

(J) Had we not received any non-contractual, unconditional, and irrevocable credits of fees from the Adviser, the ratio of net investment income to average net assets would have been 3.66%, 4.19%, 3.94%, 5.26%, and 5.48% for the fiscal years ended March 31, 2018, 2017, 2016, 2015, and 2014, respectively.

NOTE 13. SELECTED QUARTERLY DATA (UNAUDITED)

	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

NOTE 14. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC s Regulation S-X, we do not consolidate portfolio company investments. Further, in accordance with 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.

We had one unconsolidated subsidiary, Galaxy Tool Holding Corporation, which met at least one of the significance conditions under Rule 1-02(w) of the SEC s Regulation S-X as of or during at least one of the years ended March 31, 2018, 2017 and 2016. Accordingly, audited and unaudited financial statements, as applicable, for this subsidiary have been included as exhibits to this Form 10-K pursuant to Rule 3-09.

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NOTE 15. SUBSEQUENT EVENTS

At-the-Market Program

Subsequent to March 31, 2018 and through May 8, 2018, we sold an additional 168,824 shares of our common stock under our 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. In aggregate, these sales were above our then current estimated NAV per share.

Small Business Credit Availability Act

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 SBCAA. 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.

Distributions and dividends

In April 2018, our Board of Directors declared the following monthly and supplemental 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
April 20, 2018	April 30, 2018	$ 0.067	$ 0.140625	$ 0.135417	$ 0.13020833
May 22, 2018	May 31, 2018	0.067	0.140625	0.135417	0.13020833
June 6, 2018	June 15, 2018	0.060(A)			
June 20, 2018	June 29, 2018	0.067	0.140625	0.135417	0.13020833
	Total for the Quarter:	**$ 0.261**	**$ 0.421875**	**$ 0.406251**	**$ 0.39062499**

(A) Represents a supplemental distribution to common stockholders.

Investment Activity

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.

SCHEDULE 12-14

GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES

(AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(C)(D)(E)]	Principal/ Shares/Units	Net Realized Gain (Loss) for Period[(F)(G)]	Amount of Investment Income[(H)]	Value as of March 31, 2017	Gross Additions[(I)]	Gross Reductions[(J)]	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
AFFILIATE INVESTMENTS 95.8%								
Secured First Lien Debt 49.1%								
Automobile 2.3%								
Meridian Rack & Pinion, Inc. Term Debt (L+11.5%, 13.5% Cash, Due 4/2019)	$ 9,660	$	$ 1,322	$ 8,646	$	$	$ (628)	$ 8,018
Beverage, Food, and Tobacco 2.6%								
Head Country, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)	9,050		1,147	9,050				9,050
Chemicals, Plastics, and Rubber 0.0%								
GI Plastek, Inc. Term Debt[(N)]			1,259	15,000		(15,000)		
Diversified/Conglomerate Manufacturing 5.0%								
Alloy Die Casting Co. Term Debt[(P)]				9,772		(7,634)	(2,138)	
Alloy Die Casting Co. Term Debt[(P)]				140		(109)	(31)	
Alloy Die Casting Co. Term Debt[(P)]				732		(573)	(159)	
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)[(M)]	8,795		892	7,175			(147)	7,028
Edge Adhesives Holdings, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 2/2019)	9,300		1,179	9,207			(465)	8,742
Edge Adhesives Holdings, Inc. Term Debt (L+11.8%, 13.8% Cash, Due 2/2019)	2,400		334	2,388			(120)	2,268
			2,405	29,414		(8,316)	(3,060)	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)[(O)]	300		39		3,375	(3,075)		300

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(C)(D)(E)]	Principal/ Shares/Units	Net Realized Gain (Loss) for Period[(F)(G)]	Amount of Investment Income[(H)]	Value as of March 31, 2017	Gross Additions[(I)]	Gross Reductions[(J)]	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
ImageWorks Display and Marketing Group, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 11/2022)[(O)]	22,000		1,041		22,000			22,000
J.R. Hobbs Co. Atlanta, LLC Line of Credit[(N)]			149	2,950	1,000	(3,950)		
J.R. Hobbs Co. Atlanta, LLC Term Debt (L+11.5%, 13.4% Cash, Due 2/2022)	21,000		3,237	21,000				21,000
			4,466	23,950	26,375	(7,025)		43,300
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.4%								
Brunswick Bowling Products, Inc. Term Debt[(N)]	$	$	$ 1,500	$ 11,307	$	$ (11,307)	$	$
Brunswick Bowling Products, Inc. Term Debt[(N)]			67		6,917	(6,917)		
Brunswick Bowling Products, Inc. Term Debt (L+10.0%, 12.0% Cash, Due 1/2023)[(O)]	17,700		671		17,700			17,700
Old World Christmas, Inc. Term Debt (L+11.3%, 13.3% Cash, Due 10/2019)	15,770		2,119	15,770				15,770
			4,357	27,077	24,617	(18,224)		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)	6,200		792	6,200				6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+8.3%, 10.3% Cash, Due 8/2020)	12,200		1,735	12,200			(3,373)	8,827
SOG Specialty Knives & Tools, LLC Term Debt (Due 8/2020)[(L)(O)]	538				538		(98)	440

	2,527	18,400	538		(3,471)	15,467

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment[A][B][C][D][E]	Principal/ Shares/Units	Net Realized Gain (Loss) for Period[F][G]	Amount of Investment Income[H]	Value as of March 31, 2017	Gross Additions[I]	Gross Reductions[I]	Net Unrealized Appreciation (Depreciation)[J]	Value as of March 31, 2018
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.6%								
Pioneer Square Brands, Inc. Line of Credit, $600 available (L+9.0%, 10.9% Cash (1.0% Unused Fee), Due 4/2018)[O]	2,400		127		2,400			2,400
Pioneer Square Brands, Inc. Term Debt (L+12.0%, 13.9% Cash, Due8/2022)[O]	21,000		1,713		21,000			21,000
			1,840		23,400			23,400
Telecommunications 4.0%								
B+T Group Acquisition, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 12/2019)	14,000		1,845	14,000				14,000
Textiles and Leather 2.6%								
Logo Sportswear, Inc. Term Debt (L+10.5%, 12.5% Cash, Due 3/2020)	9,200		1,399	9,200				9,200
Total Secured First Lien Debt		**$**	**$ 22,567**	**$ 154,737**	**$ 51,530**	**$ (25,165)**	**$ (7,159)**	**$ 173,943**
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)[O]	24,618	$	$ 1,272	$	$ 24,618	$	$	$ 24,618
Diversified/Conglomerate Manufacturing 2.8%								
Alloy Die Casting Co. Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)[K][P]	$ 12,215	$	$	$	$ 7,634	$	$ 1,527	$ 9,161
Alloy Die Casting Co. Term Debt (L+11.5%, 13.5% Cash, Due 4/2021)[K][P]	175				109		22	131
	910				573		114	687

Alloy Die Casting Co.	Term Debt (Due 4/2021)(L)(P)						
Precision Southeast, Inc.	Term Debt(N)	1,412	9,618		(9,618)		
		1,412	9,618	8,316	(9,618)	1,663	9,979

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(C)(D)(E)]	Principal/ Shares/Units	Net Realized Gain (Loss) for Period[(F)(G)]	Amount of Investment Income[(H)]	Value as of March 31, 2017	Gross Additions[(I)]	Gross Reductions[(J)]	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
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)	16,000		3,383	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)	18,600		2,269	18,600			(9,908)	8,692
The Mountain Corporation Term Debt (Due 8/2021)[(L)(O)]	1,000				1,000			1,000
The Mountain Corporation Term Debt (Due 8/2021)[(L)(O)]	1,500				1,500			1,500
The Mountain Corporation Delayed Draw Term Debt, $750 available (Due 8/2021)[(L)(O)]	250				250			250
			2,269	18,600	2,750		(9,908)	11,442
Total Secured Second Lien Debt		**$**	**$ 8,336**	**$ 44,218**	**$ 35,684**	**$ (9,618)**	**$ (8,245)**	**$ 62,039**
Preferred Equity 29.2%								
Automobile 0.2%								
Meridian Rack & Pinion, Inc. Preferred Stock	3,381	$	$	$ 2,890	$	$	$ (2,088)	$ 802
Beverage, Food, and Tobacco 0.7%								
Head Country, Inc. Preferred Stock	4,000			5,752			(3,197)	2,555
Cargo Transport 0.0%								
NDLI, Inc. Preferred Stock	3,600							
Chemicals, Plastics, and Rubber 0.9%								
GI Plastek, Inc. Preferred Stock[(N)]				5,754		(5,150)	(604)	
PSI Molded Plastics, Inc. Preferred Stock[(O)]	51,098				8,980		(5,964)	3,016

	5,754	8,980	(5,150)	(6,568)	3,016

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(C)(D)(E)]	Principal/ Shares/Units	Net Realized Gain (Loss) for the Period[(F)(G)]	Amount of Investment Income[(H)]	Value as of March 31, 2017	Gross Additions[(I)]	Gross Reductions[(J)]	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
Diversified/Conglomerate Manufacturing 0.5%								
Alloy Die Casting Co. Preferred Stock	5,114	$	$	$	$ 210	$	$ (210)	$
Channel Technologies Group, LLC Preferred Stock	2,279							
Edge Adhesives Holdings, Inc. Preferred Stock	3,774			1,271			654	1,925
Precision Southeast, Inc. Preferred Stock[(N)]						(3,739)	3,739	
				1,271	210	(3,739)	4,183	1,925
Diversified/Conglomerate Services 6.8%								
ImageWorks Display and Marketing Group, Inc. Preferred Stock[(Q)]	67,490				6,749		2,673	9,422
J.R. Hobbs Co. Atlanta, LLC Preferred Stock	5,920			5,920			8,560	14,480
				5,920	6,749		11,233	23,902
Home and Office Furnishings, Housewares, and Durable Consumer Products 15.0%								
Brunswick Bowling Products, Inc. Preferred Stock	4,943			11,329			5,286	16,615
Cambridge Sound Management, Inc. Preferred Stock	4,500			11,046			15,132	26,178
Old World Christmas, Inc. Preferred Stock	6,180			7,135			3,276	10,411
				29,510			23,694	53,204
Leisure, Amusement, Motion Pictures, and Entertainment 0.0%								
SOG Specialty Knives & Tools, LLC Preferred Stock	9,749			711			(711)	

Personal and Non-Durable Consumer Products (Manufacturing Only) 2.2%						
The Mountain Corporation Preferred Stock	6,899	153			(153)	
Pioneer Square Brands, Inc. Preferred Stock[(O)]	5,502		5,500		2,300	7,800
		153	5,500		2,147	7,800

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment(A)(B)(C)(D)(E)	Principal/ Shares/Units(F)(G)	Net Realized Gain (Loss) for Period	Amount of Investment Income(H)	Value as of March 31, 2017	Gross Additions(I)	Gross Reductions(J)	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
Telecommunications 0.0%								
B+T Group Acquisition, Inc. Preferred Stock	12,841							
Textiles and Leather 2.9%								
Logo Sportswear, Inc. Preferred Stock	1,550		1,297	11,170		(454)	(509)	10,207
Total Preferred Equity		**$**	**$ 1,297**	**$ 63,131**	**$ 21,439**	**$ (9,343)**	**$ 28,184**	**$ 103,411**
Common Equity 0.0%								
Cargo Transport 0.0%								
NDLI, Inc. Common Stock	545	$ (92)	$	$	$	$	$	$
Diversified/Conglomerate Manufacturing 0.0%								
Alloy Die Casting Co. Common Stock	630							
Channel Technologies Group, LLC Common Stock	2,319,184							
D.P.M.S., Inc. Common Stock	627							
Precision Southeast, Inc. Common Stock(N)						(91)	91	
						(91)	91	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%								
The Mountain Corporation Common Stock	751							
Total Common Equity		**$ (92)**	**$**	**$**	**$**	**$ (91)**	**$ 91**	**$**
TOTAL AFFILIATE INVESTMENTS		**$ (92)**	**$ 32,200**	**$ 262,086**	**$ 108,653**	**$ (44,217)**	**$ 12,871**	**$ 339,393**
CONTROL INVESTMENTS 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)	$ 5,000	**$**	**$ 326**	**$ 4,800**	**$ 200**	**$**	**$**	**$ 5,000**

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Company and Investment[(A)(B)(C)(D)(E)]	Principal/ Shares/Units[(F)]	Net Realized Gain (Loss) for Period[(G)]	Amount of Investment Income[(H)]	Value as of March 31, 2017	Gross Additions[(I)]	Gross Reductions[(J)]	Net Unrealized Appreciation (Depreciation)	Value as of March 31, 2018
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)	$ 5,000	$	$ 507	$ 5,000	$	$	$	$ 5,000
Preferred Equity 0.7%								
Aerospace and Defense 0.7%								
Galaxy Tool Holding Corporation Preferred Stock	5,517,444	$	$	$ 6,242	$	$	$ (3,785)	$ 2,457
Common Equity 0.0%								
Aerospace and Defense 0.0%								
Galaxy Tool Holding Corporation Common Stock	88,843	$	$	$	$	$	$	$
TOTAL CONTROL INVESTMENTS		$	$ 833	$ 16,042	$ 200	$	$ (3,785)	$ 12,457
TOTAL AFFILIATE AND CONTROL INVESTMENTS		$ (92)	$ 33,033	$ 278,128	$ 108,853	$ (44,217)	$ 9,086	$ 351,850

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

(B) Common stock, warrants, options and, in some cases, preferred stock are generally non-income-producing and restricted.

(C) Unless indicated otherwise, all cash interest rates are indexed to 30-day LIBOR, which was 1.9% as of March 31, 2018. If applicable, 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.

(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 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) 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.

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

(H) Represents the total amount of interest, dividend, success fee, or other investment income credited to income for the portion of the year an investment was an affiliate investment or control investment, as appropriate.

(I) Gross additions include increases in investments resulting from new portfolio investments, the amortization of discounts and fees, and the exchange of one or more existing securities for one or more new securities.

(J) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs, and the exchange of one or more existing securities for one or more new securities.

(K) Debt security is on non-accrual status.

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

(M) Debt security has a fixed interest rate.

(N) Investment was exited during the year ended March 31, 2018.

(O) New investment during the year ended March 31, 2018.

(P) The debt investments in Alloy Die Casting Co. were converted from secured first lien debt to secured second lien debt during the year ended March 31, 2018.

** Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

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6.375% Series E Cumulative Term Preferred Stock due 2025

PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

BMO Capital Markets **Janney Montgomery Scott** **Ladenburg Thalmann**

Lead Manager

B. Riley FBR

Co-Managers

J.B. Hilliard, W.L. Lyons, LLC Wedbush Securities William Blair National Securities Corporation Boenning and Scattergood, In

August 14, 2018