GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
February 05, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2018

OR

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

For the transition period from to

Commission file number: 814-00704

GLADSTONE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

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

1521 WESTBRANCH DRIVE, SUITE 100

MCLEAN, VIRGINIA	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 287-5800

(Registrant s telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

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

The number of shares of the issuer s Common Stock, $0.001 par value per share, outstanding as of February 4, 2019 was 32,822,459.

GLADSTONE INVESTMENT CORPORATION

TABLE OF CONTENTS

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	December 31, 2018	March 31, 2018
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of **$254,034** and $220,087, respectively)	**$ 308,098**	$ 247,297
Affiliate investments (Cost of **$326,950** and $343,247, respectively)	**285,016**	339,393
Control investments (Cost of **$21,512** and $21,512 respectively)	**13,910**	12,457
Cash and cash equivalents	**2,242**	3,639
Restricted cash and cash equivalents	**2,061**	328
Interest receivable	**2,626**	3,532
Due from administrative agent	**2,710**	2,324
Deferred financing costs, net	**1,934**	976
Other assets, net	**1,011**	953
TOTAL ASSETS	**$ 619,608**	$ 610,899
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of **$50,100** and $107,000, respectively)	**$ 50,100**	$ 107,500
Secured borrowing	**5,096**	5,096
Total borrowings	**55,196**	112,596
Mandatorily redeemable preferred stock, $0.001 par value per share, $25 liquidation preference per share; **6,500,000** and 6,356,000 shares authorized, respectively; **5,290,000** and 5,566,000 shares issued and outstanding, respectively, net	**128,314**	135,615
Accounts payable and accrued expenses	**1,278**	916
Fees due to Adviser[A]	**20,803**	6,671
Fee due to Administrator[A]	**346**	317
Other liabilities	**2,272**	584
TOTAL LIABILITIES	**$ 208,209**	$ 256,699
Commitments and contingencies[B]		
NET ASSETS	**$ 411,399**	$ 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	**329,957**	330,661
Cumulative net unrealized appreciation of investments	**4,528**	14,301
Cumulative net unrealized appreciation of other		(500)
(Overdistributed) underdistributed net investment income	**(9,849)**	3,660
Accumulated net realized gain in excess of distributions	**86,730**	6,045
Total distributable earnings	**81,409**	23,506
TOTAL NET ASSETS	**$ 411,399**	$ 354,200
NET ASSET VALUE PER SHARE AT END OF PERIOD	**$ 12.53**	$ 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.

2

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 5,887**	$ 4,593	**$ 17,775**	$ 13,646
Affiliate investments	**6,348**	8,780	**19,228**	21,260
Control investments	**215**	211	**636**	627
Cash and cash equivalents	**10**	4	**30**	14
Total interest income	**12,460**	13,588	**37,669**	35,547
Dividend income				
Non-Control/Non-Affiliate investments		152	**1,262**	1,922
Affiliate investments	**(433)**		**(433)**	865
Total dividend income	**(433)**	152	**829**	2,787
Success fee income				
Non-Control/Non-Affiliate investments	**1,782**	706	**1,906**	2,864
Affiliate investments	**1,156**		**1,156**	
Control investments		1,738	**2,000**	1,738
Total success fee income	**2,938**	2,444	**5,062**	4,602
Total investment income	**14,965**	16,184	**43,560**	42,936
EXPENSES				
Base management fee(A)	**3,227**	2,769	**9,613**	7,839
Loan servicing fee(A)	**1,730**	1,567	**5,144**	4,616
Incentive fee(A)	**4,138**	2,822	**18,849**	5,289
Administration fee(A)	**346**	261	**975**	769
Interest expense on borrowings	**1,759**	1,035	**5,027**	2,518
Dividends on mandatorily redeemable preferred stock	**2,089**	2,251	**6,657**	6,753
Amortization of deferred financing costs and discounts	**373**	366	**1,237**	1,100
Professional fees	**262**	231	**920**	810
Other general and administrative expenses	**66**	(16)	**3,038**	1,682

Expenses before credits from Adviser	**13,990**	11,286	**51,460**	31,376
Credits to base management fee loan servicing fee[(A)]	**(1,730)**	(1,567)	**(5,144)**	(4,616)
Credits to fees from Adviser other[(A)]	**(3,317)**	(1,066)	**(4,842)**	(2,540)
Total expenses, net of credits to fees	**8,943**	8,653	**41,474**	24,220
NET INVESTMENT INCOME	**6,022**	7,531	**2,086**	18,716
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	**(1,983)**	25	**12,548**	1,003
Affiliate investments	**78,787**		**75,508**	144
Other			**(1,687)**	
Total net realized gain (loss)	**76,804**	25	**86,369**	1,147
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	**10,790**	7,330	**26,854**	23,454
Affiliate investments	**(74,302)**	3,773	**(38,081)**	1,163
Control investments	**(2,823)**	(1,257)	**1,454**	(5,381)
Other		(258)	**500**	(258)
Total net unrealized (depreciation) appreciation	**(66,335)**	9,588	**(9,273)**	18,978
Net realized and unrealized gain	**10,469**	9,613	**77,096**	20,125
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 16,491**	$ 17,144	**$ 79,182**	$ 38,841

(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.

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.18**	$ 0.23	**$ 0.06**	$ 0.58
Net increase in net assets resulting from operations	**$ 0.50**	$ 0.53	**$ 2.41**	$ 1.21
WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	**32,822,459**	32,526,223	**32,802,733**	32,178,127

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

4

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended December 31,	
	2018	**2017**
OPERATIONS		
Net investment income	**$ 2,086**	$ 18,716
Net realized gain on investments	**88,056**	1,147
Net realized loss on other	**(1,687)**	
Net unrealized (depreciation) appreciation of investments	**(9,773)**	19,236
Net unrealized depreciation (appreciation) of other	**500**	(258)
Net increase in net assets from operations	**79,182**	38,841
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	**(18,134)**	(20,826)
Distributions to common stockholders from realized gains	**(5,685)**	(1,756)
Net decrease in net assets from distributions	**(23,819)**	(22,582)
CAPITAL ACTIVITY		
Issuance of common stock	**1,873**	21,154
Discounts, commissions, and offering costs for issuance of common stock	**(37)**	(1,098)
Net increase in net assets from capital activity	**1,836**	20,056
TOTAL INCREASE IN NET ASSETS	**57,199**	36,315
NET ASSETS, BEGINNING OF PERIOD	**354,200**	301,082
NET ASSETS, END OF PERIOD	**$ 411,399**	$ 337,397

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

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	**$ 79,182**	$ 38,841
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	**(84,211)**	(71,188)
Principal repayments of investments	**44,714**	19,610
Net proceeds from the sale of investments	**109,094**	7,007
Net realized gain on investments	**(87,489)**	(1,239)
Net realized loss on other	**1,670**	
Net unrealized depreciation (appreciation) of investments	**9,773**	(19,236)
Net unrealized (depreciation) appreciation of other	**(500)**	258
Amortization of premiums, discounts, and acquisition costs, net	**(14)**	(11)
Amortization of deferred financing costs and discounts	**1,237**	1,100
Bad debt expense, net of recoveries	**1,492**	302
Changes in assets and liabilities:		
Increase in interest receivable	**(105)**	(1,051)
Increase in due from administrative agent	**(386)**	(3,699)
(Increase) decrease in other assets, net	**(155)**	2,606
Increase in accounts payable and accrued expenses	**361**	655
Increase in fees due to Adviser[(A)]	**14,132**	1,720
Increase (decrease) in fee due to Administrator[(A)]	**30**	(35)
Increase (decrease) in other liabilities	**1,687**	(885)
Net cash provided by (used in) operating activities	**90,512**	(25,245)
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)**	(1,090)
Proceeds from line of credit	**191,100**	96,300
Repayments on line of credit	**(248,000)**	(69,400)
Proceeds from issuance of mandatorily redeemable preferred stock	**74,750**	
Redemption of mandatorily redeemable preferred stock	**(81,650)**	
Deferred financing and offering costs	**(4,402)**	(75)
Distributions paid to common stockholders	**(23,819)**	(22,582)

Net cash (used in) provided by financing activities	**(90,176)**	24,307
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	**336**	(938)
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	**$ 4,303**	$ 3,161
CASH PAID FOR INTEREST	**$ 4,764**	$ 1,928
NON-CASH ACTIVITIES[(B)]	**$**	$ 42,977

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

Table of Contents

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 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.

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

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 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) 75.0%			
Secured First Lien Debt 38.8%			
Containers, Packaging, and Glass 2.3%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 3/2021)(L)	$ 9,500	**$ 9,500**	**$ 9,500**
Diversified/Conglomerate Services 15.7%			
Bassett Creek Restoration, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 4/2023)(L)	28,000	28,000	28,000
Counsel Press, Inc. Term Debt (L+11.8%, 14.3% Cash, Due 3/2020)(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 15.5% Cash, Due 3/2020)(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 14.0% Cash, Due 3/2023)(L)	13,290	13,290	13,290
		64,790	**64,790**
Farming and Agriculture 2.7%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 9/2019)(L)	11,000	**11,000**	**11,000**
Healthcare, Education, and Childcare 4.9%			
Educators Resource, Inc. Line of Credit, $5,000 available (L+8.0%, 10.5% Cash, Due 11/2019) (T)			
Educators Resource, Inc. Term Debt (L+10.5%, 13.0% Cash, Due 11/2023) (T)	20,000	20,000	20,000
		20,000	**20,000**
Leisure, Amusement, Motion Pictures, and Entertainment 6.8%			
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019)(L)	13,081	13,081	13,081
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019)(L)	8,500	8,500	8,500
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019)(L)	6,000	6,000	6,000
		27,581	**27,581**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 4.9%			
SBS Industries, LLC Term Debt (L+12.0%, 14.5% 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)(Q)		3,216	**3,216**	**3,216**
Personal, Food, and Miscellaneous Services 0.7%				
B-Dry, LLC Line of Credit, $50 available (L+0.3%, 2.8% Cash (0.8% Unused Fee), Due 12/2019)(G)(L)		4,600	4,600	3,076
B-Dry, LLC Term Debt (L+0.3%, 2.8% Cash, Due 12/2019)(G)(L)		6,443	6,443	
B-Dry, LLC Term Debt (L+0.3%, 2.8% Cash, Due 12/2019)(G)(L)		840	840	
			11,883	**3,076**
Total Secured First Lien Debt			**$ 167,927**	**$ 159,120**
Secured Second Lien Debt 7.4%				
Automobile 1.0%				
Country Club Enterprises, LLC Term Debt (L+8.0%, 10.5% Cash, Due 2/2022)(T)	$	4,000	$ 4,000	$ 4,000
Country Club Enterprises, LLC Guaranty ($1,000)(U)				
			4,000	**4,000**
Cargo Transport 3.2%				
Diligent Delivery Systems Term Debt (L+9.0%, 11.5% Cash, Due 11/2022)(K)		13,000	**12,929**	**12,967**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.2%				
Ginsey Home Solutions, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2021)(H)(L)		13,300	**13,300**	**13,300**
Total Secured Second Lien Debt			**$ 30,229**	**$ 30,267**

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

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Preferred Equity 24.5%			
Containers, Packaging, and Glass 0.3%			
Frontier Packaging, Inc. Preferred Stock(C)(L)	1,373	**$ 1,373**	**$ 1,400**
Diversified/Conglomerate Services 13.6%			
Bassett Creek Restoration, Inc. Preferred Stock(C)(L)	4,900	4,900	1,887
Counsel Press, Inc. Preferred Stock(C)(L)	6,995	6,995	11,823
Nth Degree, Inc. Preferred Stock(C)(L)	5,660	5,660	42,027
		17,555	**55,737**
Farming and Agriculture 1.3%			
Jackrabbit, Inc. Preferred Stock(C)(L)	3,556	**3,556**	**5,529**
Healthcare, Education, and Childcare 2.1%			
Educators Resource, Inc. Preferred Stock(C)(T)	8,560	**8,560**	**8,560**
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.8%			
Ginsey Home Solutions, Inc. Preferred Stock(C)(L)	19,280	**9,583**	**15,497**
Leisure, Amusement, Motion Pictures, and Entertainment 1.4%			
Schylling, Inc. Preferred Stock(C)(L)	4,000	**4,000**	**5,722**
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 1.1%			
SBS Industries, LLC Preferred Stock(C)(L)	27,705	**2,771**	**4,377**
Oil and Gas 0.9%			
Tread Corporation Preferred Stock(C)(Q)	12,998,639	**3,768**	**3,869**
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock(C)(L)	2,500	**2,516**	
Total Preferred Equity		**$ 53,682**	**$ 100,691**
Common Equity/Equivalents 4.3%			
Cargo Transport 0.5%			

Diligent Delivery Systems	Common Stock Warrants (C)(L)	8%	$ **500**	$ **2,199**
Containers, Packaging, and Glass 2.7%				
Frontier Packaging, Inc.	Common Stock (C)(L)	152	**152**	**11,214**
Farming and Agriculture 0.1%				
Jackrabbit, Inc.	Common Stock (C)(L)	548	**94**	**544**
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) 0.9%				
SBS Industries, LLC	Common Stock (C)(L)	221,500	**222**	**3,689**
Oil and Gas 0.0%				
Tread Corporation	Common Stock (C)(Q)	10,089,048	**753**	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%				
Funko Acquisition Holdings, LLC (M)	Common Units (C)(S)	39,483	**167**	**374**

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

9

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 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			$ **2,196**	$ **18,020**
Total Non-Control/Non-Affiliate Investments			**$ 254,034**	**$ 308,098**
AFFILIATE INVESTMENTS(O) 69.3%				
Secured First Lien Debt 41.5%				
Automobile 1.6%				
Meridian Rack & Pinion, Inc.(M) Term Debt (L+11.5%, 14.0% Cash, Due 6/2019)(K)	$	9,660	$ **9,660**	$ **6,617**
Beverage, Food, and Tobacco 2.2%				
Head Country, Inc. Term Debt (L+10.5%, 13.0% Cash, Due 2/2019)(L)		9,050	**9,050**	**9,050**
Diversified/Conglomerate Manufacturing 4.3%				
D.P.M.S., Inc. Term Debt (10.0% Cash, Due 10/2021)(I)(L)		10,796	10,796	5,778
Edge Adhesives Holdings, Inc.(M) Term Debt (L+10.5%, 13.0% Cash, Due 2/2022)(K)		9,300	9,300	8,905
Edge Adhesives Holdings, Inc.(M) Term Debt (L+11.8%, 14.3% Cash, Due 2/2022)(K)		3,000	3,000	2,887
			23,096	**17,570**
Diversified/Conglomerate Services 14.1%				
ImageWorks Display and Marketing Group, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 11/2022)(L)		22,000	22,000	22,000
J.R. Hobbs Co. Atlanta, LLC Term Debt (L+10.3%, 12.8% Cash, Due 10/2023)(L)		36,000	36,000	36,000
			58,000	**58,000**
Home and Office Furnishings, Housewares, and Durable Consumer Products 8.1%				
		17,700	17,700	17,700

Brunswick Bowling Products, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 1/2023)(L)			
Old World Christmas, Inc. Term Debt (L+11.3%, 13.8% Cash, Due 10/2019)(L)	15,770	15,770	15,770
		33,470	**33,470**
Leisure, Amusement, Motion Pictures, and Entertainment 2.2%			
SOG Specialty Knives & Tools, LLC Term Debt (L+7.3%, 9.8% Cash, Due 8/2020)(G)(L)(V)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (L+8.3%, 10.8% Cash, Due 8/2020)(G)(L)(V)	12,200	12,200	2,564
SOG Specialty Knives & Tools, LLC Term Debt (Due 8/2020)(L)(R)	537	537	256
		18,937	**9,020**
Personal and Non-Durable Consumer Products (Manufacturing Only) 5.6%			
Pioneer Square Brands, Inc. Term Debt (L+12.0%, 14.5% Cash, Due 8/2022)(L)	23,100	**23,100**	**23,100**
Telecommunications 3.4%			
B+T Group Acquisition, Inc.(M) Term Debt (L+11.0%, 13.5% Cash, Due 12/2019)(L)	14,000	**14,000**	**14,000**
Total Secured First Lien Debt		**$ 189,313**	**$ 170,827**

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

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 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 8.2%			
Chemicals, Plastics, and Rubber 4.2%			
PSI Molded Plastics, Inc. Term Debt (L+12.0%, 14.5% Cash, Due 1/2024)(G)(L)	$ 24,618	**$ 24,618**	**$ 17,086**
Diversified/Conglomerate Manufacturing 3.0%			
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.5% Cash, Due 4/2021)(K)	12,215	12,215	11,331
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.5% Cash, Due 4/2021)(K)	175	175	162
Alloy Die Casting Co.(M) Term Debt (L+4.0%, 6.5% Cash, Due 4/2021)(K)	910	910	844
		13,300	**12,337**
Personal and Non-Durable Consumer Products (Manufacturing Only) 1.0%			
The Mountain Corporation Term Debt (L+4.0%, 7.0% Cash, Due 8/2021)(G)(L)	18,600	18,600	1,438
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, $400 available (Due 8/2021)(L)(R)	600	600	600
		21,700	**4,538**
Total Secured Second Lien Debt		**$ 59,618**	**$ 33,961**
Preferred Equity 19.6%			
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**	**2,784**

Chemicals, Plastics, and Rubber 0.0%			
PSI Molded Plastics, Inc. Preferred Stock (C)(L)	58,598	**9,730**	
Diversified/Conglomerate Manufacturing 1.2%			
Alloy Die Casting Co. (M) Preferred Stock (C)(L)	5,114	5,114	4,052
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	748
		10,729	**4,800**
Diversified/Conglomerate Services 5.6%			
ImageWorks Display and Marketing Group, Inc. Preferred Stock (C)(L)	67,490	6,749	9,543
J.R. Hobbs Co. Atlanta, LLC Preferred Stock (C)(L)	5,920	5,920	13,473
		12,669	**23,016**
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.5%			
Brunswick Bowling Products, Inc. Preferred Stock (C)(L)	4,943	4,943	25,336
Old World Christmas, Inc. Preferred Stock (C)(L)	6,180	6,180	13,501
		11,123	**38,837**
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) 2.6%			
The Mountain Corporation Preferred Stock (C)(L)	6,899	6,899	
Pioneer Square Brands, Inc. Preferred Stock (C)(L)	5,502	5,500	10,791
		12,399	**10,791**
Telecommunications 0.0%			
B+T Group Acquisition, Inc. (M) Preferred Stock (C)(L)	12,841	**4,196**	
Total Preferred Equity		**$ 77,976**	**$ 80,228**

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

11

Table of Contents

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment(A)(B)(D)(E)	Principal/Shares/ Units(F)(J)	Cost	Fair Value
Common Equity — 0.0%			
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**	**$**
Total Affiliate Investments		**$ 326,950**	**$ 285,016**
CONTROL INVESTMENTS(P) — 3.4%:			
Secured Second Lien Debt — 2.4%			
Aerospace and Defense — 2.4%			
Galaxy Tool Holding Corporation — Line of Credit, $0 available (L+4.5%, 7.0% Cash (1.0% Unused Fee), Due 8/2019)(L)	$ 5,000	**$ 5,000**	**$ 5,000**
Galaxy Tool Holding Corporation — Term Debt (L+6.0%, 10.0% Cash, Due 8/2019)(L)	5,000	**5,000**	**5,000**
		$ 10,000	**$ 10,000**
Preferred Equity — 1.0%			
Aerospace and Defense — 1.0%			
Galaxy Tool Holding Corporation — Preferred Stock(C)(L)	5,517,444	**$ 11,464**	**$ 3,910**
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**	**$ 13,910**
TOTAL INVESTMENTS	**147.7%**	**$ 602,496**	**$ 607,024**

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 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 \$529.8 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 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 2.5% as of December 31, 2018. If applicable, paid-in-kind 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 30-day LIBOR plus a spread. Due dates represent the contractual maturity date.

(C) Security is non-income producing.

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

(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 or transaction amount during the three months ended December 31, 2018 best represents fair value as of December 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) Investment was restructured subsequent to December 31, 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.

Table of Contents

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% Cash, Due 11/2018)(L)	13,081	13,081	13,081
Schylling, Inc. Term Debt (L+11.0%, 13.0% Cash, Due 11/2018)(T)	8,500	8,500	8,500
Schylling, Inc. Term Debt (L+11.0%, 13.0% Cash, 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)(J)				
			7,725	**1,010**

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

17

Table of Contents

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.

18

Table of Contents

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.

Table of Contents

GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 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 are 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 U.S. federal income 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 holding certain investments pledged as collateral under 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, 10 and 12 of SEC Regulation S-X. 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, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and nine months ended December 31, 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.

Table of Contents

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 these *Notes to Consolidated Financial Statements*. 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 Consolidated Statements of Changes in Net Assets and Consolidated Statements 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 determining, in good faith, the fair value of our investments for which market quotations are not readily available 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 determine in good faith the fair value of such 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 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 before determining 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 each 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 before determining fair value.

Table of Contents

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 for which we do not have the ability to effectuate a sale of the applicable portfolio company using the yield analysis, which includes a DCF calculation and assumptions that the Valuation Team believes market participants would use, including: 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 the securities we hold as of the reporting date. For restricted securities that are publicly traded, we generally base fair value on the closing market price of the securities we hold 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 for which we cannot effectuate a sale of the fund, 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: 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.

Table of Contents

Fair value measurements of our investments may involve subjective judgments and estimates and, due to the uncertainty inherent in valuing these securities, the determinations of fair value may fluctuate from period to period and may differ materially from the values that could be obtained if a ready market for these securities existed. Our NAV could be materially affected if the determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities. Additionally, changes in the market environment and other events that may occur over the life of the investment may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which it is recorded.

Refer to Note 3 *Investments* for additional information regarding fair value measurements and our application of ASC 820.

Revenue Recognition

Interest Income Recognition

Interest income, adjusted for amortization of premiums, amendment fees and acquisition costs and the accretion of discounts, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management s judgment. Generally, non-accrual loans are restored to accrual status when past-due principal and interest are paid and, in management s judgment, are likely to remain current, or, due to a restructuring, the interest income is deemed to be collectible. As of December 31, 2018, certain of our loans to B-Dry, LLC, The Mountain Corporation, PSI Molded Plastics, Inc., and SOG Specialty Knives & Tools, LLC were on non-accrual status, with an aggregate debt cost basis of $73.5 million, or 16.1% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $30.4 million, or 7.5% 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 December 31, 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, and are non-recurring.

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 three months ended December 31, 2018, we recharacterized $0.6 million of dividend income from our investment in Logo Sportswear, Inc. (Logo), which was originally recorded during our fiscal year ended March 31, 2018, as a return of capital.

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 term of the respective series of preferred stock. Refer to Note 5 *Borrowings* and Note 6 *Mandatorily Redeemable Preferred Stock* for further discussion.

Table of Contents

Related Party Fees

We are party to the Advisory Agreement with the Adviser, which is owned and controlled by our chairman and chief executive officer. In accordance with the Advisory Agreement, we pay the Adviser fees as compensation for its services, consisting of a base management fee and an incentive fee. Additionally, we pay the Adviser a loan servicing fee as compensation for its services as servicer under the terms of the Fifth Amended and Restated Credit Agreement dated April 30, 2013, as amended (the Credit Facility).

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

Refer to Note 4 *Related Party Transactions* for additional information regarding these related party fees and agreements.

Recent Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value* (ASU 2018-13), which modifies the disclosure requirements in ASC 820. We are currently assessing the impact of ASU 2018-13 and do not anticipate a material impact on our disclosures. ASU 2018-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted.

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.

Table of Contents

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 December 31, 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 nine months ended December 31, 2018. During the nine months ended December 31, 2017, we transferred our investment in Funko from Level 3 to Level 2 as a result of the initial public offering of Funko, Inc. in November 2017 as our units in Funko can be converted into common shares of Funko, Inc. upon meeting certain requirements and in April 2017, we transferred our investment in AquaVenture Holdings Limited, f/k/a Quench Holdings Corp. 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.

Table of Contents

As of December 31, 2018 and March 31, 2018, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2018:				
Secured first lien debt	$ 329,947	$	$	$ 329,947
Secured second lien debt	74,228			74,228
Preferred equity	184,829			184,829
Common equity/equivalents	18,020		374[(A)]	17,646
Total Investments at December 31, 2018	**$ 607,024**	**$**	**$ 374**	**$ 606,650**

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2018:				
Secured first lien debt	$ 305,856	$	$	$ 305,856
Secured second lien debt	97,339			97,339
Preferred equity	167,150			167,150
Common equity/equivalents	28,802		194[(B)]	28,608
Total Investments at March 31, 2018	$ 599,147	$	$ 194	$ 598,953

(A) Fair value was determined based on the closing market price of shares of Funko, Inc. (our units in Funko can be converted into common 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 common 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.

Table of Contents

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 December 31, 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	
	December 31, 2018	**March 31, 2018**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 159,120**	$ 126,913
Secured second lien debt	**30,267**	30,300
Preferred equity	**100,691**	61,282
Common equity/equivalents[A]	**17,646**	28,608
Total Non-Control/Non-Affiliate Investments	**307,724**	247,103
Affiliate Investments		
Secured first lien debt	**170,827**	173,943
Secured second lien debt	**33,961**	62,039
Preferred equity	**80,228**	103,411
Common equity/equivalents		
Total Affiliate Investments	**285,016**	339,393
Control Investments		
Secured first lien debt		5,000
Secured second lien debt	**10,000**	5,000
Preferred equity	**3,910**	2,457
Common equity/equivalents		
Total Control Investments	**13,910**	12,457
Total investments at fair value using Level 3 inputs	**$ 606,650**	$ 598,953

(A) Excludes our investment in Funko with a fair value of $0.4 million and $0.2 million as of December 31, 2018 and March 31, 2018, respectively, which was valued using Level 2 inputs.

Table of Contents

In accordance with ASC 820, the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of December 31, 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 December 31, 2018	**Fair Value as of March 31, 2018**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted- Average as of December 31, 2018**		**Range / Weighted- Average as of March 31, 2018**	
Secured first lien debt	**$ 311,538 (A)**	$ 286,828 (A)	TEV	EBITDA multiple	5.0x	8.2x / 6.2x	4.7x	8.3x /6.1x
				EBITDA	$772	$19,170 / $6,736	$1,298	$14,085 / $5,575
				Revenue multiple	0.2x	1.0x / 0.6x	0.3x	0.7x / 0.6x
				Revenue	$12,325	$24,750 / $19,137	$15,528	$30,561 / $24,780
	18,409	19,028	Yield Analysis	Discount Rate	14.7%	22.2% / 18.1%	19.8%	21.3% / 20.6%
Secured second lien debt	**44,925 (B)**	87,360 (B)	TEV	EBITDA multiple	5.9x	7.0x / 6.6x	3.3x	6.8x / 6.2x
				EBITDA	$3,890	$5,966 / $5,224	$2,683	$8,795 / $6,827
				Revenue multiple	0.8x	0.8x / 0.8x	0.9x	0.9x / 0.9x
				Revenue	$16,554	$16,554 / $16,554	$21,439	$21,439 / $21,439
	29.303	9,979	Yield Analysis	Discount Rate	10.0%	11.6% / 10.8%	19.4%	20.9% / 19.5%
Preferred equity (C)	**184,829**	167,150	TEV	EBITDA multiple	5.0x	8.2x / 6.4x	3.3x	8.3x / 6.0x
				EBITDA	$2,155	$19,170 / $6,259	$1,298	$14,085 / $5,344
				Revenue multiple	0.2x	1.0x / 0.7x	0.3x	0.9x / 0.7x
				Revenue	$12,325	$24,750 / $19,145	$15,528	$30,561 / $25,303
Common equity/equivalents (D)(E)	**17,646**	28,608	TEV	EBITDA multiple	5.5x	8.1x / 6.9x	4.9x	6.2x / 5.6x
				EBITDA	$772	$16,129 / $10,114	$1,298	$5,842 / $2,491
				Revenue multiple	0.2x	0.8x / 0.2x	0.3x	0.9x / 0.3x
				Revenue	$15,379	$16,554 / $15,382	$15,528	$21,439 / $15,543
Total	**$ 606,650**	$ 598,953						

(A) Fair value as of December 31, 2018 includes one new proprietary debt investment of $20.0 million, which was valued at cost using the transaction price as the unobservable input, and one proprietary debt investment of $3.2 million, which was valued using the expected payoff amount as the unobservable inputs. 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 December 31, 2018 includes one new proprietary debt investment of $4.0 million, which was valued at cost using the transaction amount as the unobservable input. Fair value as of March 31, 2018 includes one proprietary debt investment of $13.0 million, which was valued at the expected payoff amount as the unobservable input.

(C) Fair value as of December 31, 2018 includes one new proprietary equity investment of $8.6 million, which was valued at cost using the transaction price as the unobservable input, and one proprietary equity investment of $3.9 million, which was valued using the expected payoff amount as the unobservable inputs. Fair value as of March 31, 2018 includes one proprietary equity investment of $3.4 million, which was valued using the expected payoff amount as the unobservable input.

(D) Fair value as of December 31, 2018 includes one proprietary equity investment of $0.0 million, which was valued using 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 using the expected payoff amounts as the unobservable inputs.

(E) Fair value as of both December 31, 2018 and March 31, 2018 excludes our investment in Funko with a fair value of $0.4 million and $0.2 million, respectively, which was valued using Level 2 inputs.

Table of Contents

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 and nine months ended December 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
Three months ended December 31, 2018:					
Fair value as of September 30, 2018	**$ 315,866**	**$ 95,038**	**$ 234,877**	**$ 18,664**	**$ 664,445**
Total gain (loss):					
Net realized gain (loss)(A)			72,116	4,693	76,809
Net unrealized appreciation (depreciation)(B)	(10,754)	(9,815)	9,422	4,364	(6,783)
Reversal of previously recorded (appreciation) depreciation upon realization(B)	(665)		(53,210)	(5,381)	(59,256)
New investments, repayments and settlements(C):					
Issuances / originations	44,700	5	8,560		53,265
Settlements / repayments	(14,200)	(16,000)			(30,200)
Sales			(86,936)	(4,694)	(91,630)
Transfers(D)	(5,000)	5,000			
Fair value as of December 31, 2018	**$ 329,947**	**$ 74,228**	**$ 184,829**	**$ 17,646**	**$ 606,650**

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Nine months ended December 31, 2018:					
Fair value as of March 31, 2018	**$ 305,856**	**$ 97,339**	**$ 167,150**	**$ 28,608**	**$ 598,953**
Total gain (loss):					
Net realized gain (loss)(A)			68,516	18,480	86,996
Net unrealized appreciation (depreciation)(B)	(11,108)	(12,476)	74,876	9,163	60,455
Reversal of previously recorded (appreciation) depreciation upon realization(B)	(739)		(49,610)	(20,062)	(70,411)
New investments, repayments and settlements(C):					

Issuances / originations	69,652	365	14,210		84,227
Settlements / repayments	(28,714)	(16,000)			(44,714)
Sales			(90,313)	(18,543)	(108,856)
Transfers(D)	(5,000)	5,000			
Fair value as of December 31, 2018	**$ 329,947**	**$ 74,228**	**$ 184,829**	**$ 17,646**	**$ 606,650**

29

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