GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
November 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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: 811-23191

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 x No ¨

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

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. The number of shares of the issuer s Common Stock, $0.001 par value per share, outstanding as of November 1, 2016, was 30,270,958.

GLADSTONE INVESTMENT CORPORATION

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	September 30, 2016	March 31, 2016
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of **$199,644** and $191,757, respectively)	**$ 187,900**	$ 180,933
Affiliate investments (Cost of **$301,719** and $304,856, respectively)	**279,615**	296,723
Control investments (Cost of **$21,012** and $21,512 respectively)	**18,457**	10,000
Total investments at fair value (Cost of **$522,375** and $518,125, respectively)	**485,972**	487,656
Cash and cash equivalents	**5,097**	4,481
Restricted cash and cash equivalents	**1,035**	1,107
Interest receivable	**1,972**	2,790
Due from custodian	**2,689**	1,638
Deferred financing costs, net	**696**	1,147
Other assets, net	**1,601**	4,256
TOTAL ASSETS	**$ 499,062**	$ 503,075
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of **$63,500** and $95,000, respectively)	**$ 63,500**	$ 95,000
Secured borrowing	**5,096**	5,096
Total borrowings	**68,596**	100,096
Mandatorily redeemable preferred stock, $0.001 par value, $25 liquidation preference; **6,356,000** and 4,956,000 shares authorized; **5,566,000** and 4,866,000 shares issued and outstanding, respectively, net	**134,459**	118,465
Accounts payable and accrued expenses	**1,274**	1,054
Fees due to Adviser[(A)]	**622**	1,912
Fee due to Administrator[(A)]	**275**	311
Other liabilities	**1,734**	2,215
TOTAL LIABILITIES	**$ 206,960**	$ 224,053

Commitments and contingencies[B]				
NET ASSETS	**$**	**292,102**	$	279,022
ANALYSIS OF NET ASSETS				
Common stock, $0.001 par value per share, **100,000,000** shares authorized, **30,270,958** shares issued and outstanding	**$**	**30**	$	30
Capital in excess of par value		**310,793**		311,608
Cumulative net unrealized depreciation of investments		**(36,403)**		(30,469)
Cumulative net unrealized depreciation of other				(75)
Net investment income in excess of distributions		**7,684**		6,426
Accumulated net realized gain (loss)		**9,998**		(8,498)
TOTAL NET ASSETS	**$**	**292,102**	$	279,022
NET ASSET VALUE PER SHARE AT END OF PERIOD	**$**	**9.65**	$	9.22

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

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

GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	**$ 4,357**	$ 3,970	**$ 8,862**	$ 7,772
Affiliate investments	**7,168**	7,329	**14,082**	14,253
Control investments	**204**	645	**413**	1,304
Cash and cash equivalents	**1**	1	**1**	1
Total interest income	**11,730**	11,945	**23,358**	23,330
Other income				
Non-Control/Non-Affiliate investments	**14**	1,795	**29**	3,116
Affiliate investments			**2,750**	
Total other income	**14**	1,795	**2,779**	3,116
Total investment income	**11,744**	13,740	**26,137**	26,446
EXPENSES				
Base management fee[A]	**2,489**	2,510	**4,998**	4,963
Loan servicing fee[A]	**1,722**	1,707	**3,403**	3,266
Incentive fee[A]	**549**	1,505	**2,249**	2,796
Administration fee[A]	**275**	270	**574**	625
Interest expense on borrowings	**953**	1,081	**1,924**	2,145
Dividends on mandatorily redeemable preferred stock	**2,115**	2,065	**4,180**	3,832
Amortization of deferred financing costs and discounts	**481**	483	**962**	943
Professional fees	**194**	261	**386**	703
Other general and administrative expenses	**690**	403	**891**	959
Expenses before credits from Adviser	**9,468**	10,285	**19,567**	20,232
Credit to base management fee loan servicing fee[A]	**(1,722)**	(1,707)	**(3,403)**	(3,266)
Credit to fees from Adviser other[A]	**(1,114)**	(861)	**(1,951)**	(1,706)

Total expenses net of credits to fees		**6,632**		7,717		**14,213**		15,260
NET INVESTMENT INCOME		**5,112**		6,023		**11,924**		11,186
REALIZED AND UNREALIZED GAIN (LOSS)								
Net realized gain (loss):								
Non-Control/Non-Affiliate investments		**(12)**		(1)		**(165)**		(1)
Affiliate investments		**3**		(2,740)		**18,792**		(2,740)
Control investments		**(2)**		1		**(3)**		200
Other		**(182)**				**(257)**		
Total net realized (loss) gain		**(193)**		(2,740)		**18,367**		(2,541)
Net unrealized appreciation (depreciation):								
Non-Control/Non-Affiliate investments		**(8,136)**		(9,990)		**(919)**		(3,482)
Affiliate investments		**1,977**		11,852		**(13,972)**		8,651
Control investments		**1,138**		(5,255)		**8,957**		(5,365)
Other						**75**		
Total net unrealized depreciation		**(5,021)**		(3,393)		**(5,859)**		(196)
Net realized and unrealized (loss) gain		**(5,214)**		(6,133)		**12,508**		(2,737)
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(102)**	$	(110)	**$**	**24,432**	$	8,449
BASIC AND DILUTED PER COMMON SHARE:								
Net investment income	**$**	**0.17**	$	0.20	**$**	**0.39**	$	0.37
Net increase in net assets resulting from operations						**0.81**		0.28
Distributions		**0.19**		0.19		**0.38**		0.38
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:								
Basic and diluted		**30,270,958**		30,270,958		**30,270,958**		30,265,548

(A) Refer to Note 4 *Related Party Transactions* for additional information.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended September 30, 2016	2015
OPERATIONS		
Net investment income	**$ 11,924**	$ 11,186
Net realized gain (loss) on investments	**18,624**	(2,541)
Net realized loss on other	**(257)**	
Net unrealized depreciation of investments	**(5,934)**	(196)
Net unrealized appreciation of other	**75**	
Net increase in net assets from operations	**24,432**	8,449
DISTRIBUTIONS		
Distributions to common stockholders	**(11,352)**	(11,352)
Net decrease in net assets from distributions	**(11,352)**	(11,352)
CAPITAL ACTIVITY		
Issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Net increase in net assets from capital activity		3,442
TOTAL INCREASE IN NET ASSETS	**13,080**	539
NET ASSETS, BEGINNING OF PERIOD	**279,022**	273,429
NET ASSETS, END OF PERIOD	**$ 292,102**	$ 273,968

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	$ **24,432**	$ 8,449
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	**(31,186)**	(40,045)
Principal repayments of investments	**16,661**	10,583
Net proceeds from the sale of investments	**28,479**	2,159
Net realized (gain) loss on investments	**(18,662)**	2,525
Net realized loss on other	**257**	
Net unrealized depreciation of investments	**5,934**	196
Net unrealized appreciation of other	**(75)**	
Amortization of deferred financing costs and discounts	**962**	943
Bad debt expense, net of recoveries	**(186)**	172
Changes in assets and liabilities:		
Decrease (increase) in restricted cash and cash equivalents	**464**	(388)
Decrease (increase) in interest receivable	**818**	(876)
(Increase) decrease in due from custodian	**(1,051)**	2,816
Decrease (increase) in other assets, net	**2,885**	(272)
Decrease in accounts payable and accrued expenses	**(71)**	(347)
(Decrease) increase in fees due to Adviser[(A)]	**(1,290)**	412
(Decrease) increase in fee due to Administrator[(A)]	**(36)**	8
Decrease in other liabilities	**(481)**	(891)
Net cash provided by (used in) operating activities	**27,854**	(14,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Proceeds from line of credit	**37,200**	65,500
Repayments on line of credit	**(68,700)**	(80,800)
Proceeds from issuance of mandatorily redeemable preferred stock	**57,500**	40,250
Redemption of mandatorily redeemable preferred stock	**(40,000)**	
Deferred financing and offering costs	**(1,886)**	(1,711)
Distributions paid to common stockholders	**(11,352)**	(11,352)
Net cash (used in) provided by financing activities	**(27,238)**	15,329

NET INCREASE IN CASH AND CASH EQUIVALENTS		**616**		773
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**4,481**		4,921
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**5,097**	$	5,694
CASH PAID FOR INTEREST	**$**	**1,730**	$	1,942
NON-CASH ACTIVITIES[(B)]	**$**		$	15,740

(A) Refer to Note 4 *Related Party Transactions* for additional information.
(B) 2015: Significant non-cash operating activities consisted principally of the following transaction:
In August 2015, NDLI, Inc. (NDLI) was acquired by Diligent Delivery Systems (Diligent). As part of this acquisition, we restructured our investment in NDLI, which resulted in the termination of our debt investments in NDLI, which had a cost basis and fair value of $17.7 million and $14.2 million, respectively. We received cash proceeds of $1.9 million and a $13.0 million secured second lien debt investment in Diligent, which resulted in a net realized loss of $2.7 million. We recognized this net realized loss in our *Consolidated Statements of Operations* during the three and six months ended September 30, 2015.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	Industry	Investment(B)(F)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS(N):					
Auto Safety House, LLC	Automobile	Secured First Lien Line of Credit, $1,000 available (8.0%, Due 10/2019)(I)(Q)	$	$	$
		Secured First Lien Term Debt (8.0%, Due 10/2019)(I)(Q)	5,000	5,000	5,414
				5,000	5,414
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, $100 available (6.8% (0.8% Unused Fee), Due 12/2016)(L)	3,900	3,900	3,900
		Secured First Lien Term Debt (1.5%, Due 12/2019)(L)	6,433	6,443	1,502
		Secured First Lien Term Debt (1.5%, Due 12/2019)(L)	840	840	
		Preferred Stock (2,500 shares)(C)(L)		2,516	
		Common Stock (2,500 shares)(C)(L)		300	
				13,999	5,402
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017)(L)	4,000	4,000	4,000
		Preferred Stock (7,245,681		7,725	5,740

		shares)(C)(L) Guaranty ($2,000)(D) Guaranty ($71)(D)			
				11,725	9,740
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020)(K)	13,000	13,000	13,130
		Common Stock Warrants (8% ownership)(C)(L)		500	2,000
				13,500	15,130
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017)(L)	9,913	9,913	9,913
		Preferred Stock (34,045 shares)(C)(L)		3,375	3,727
		Common Stock (5,372 shares)(C)(L)		63	6,519
				13,351	20,159
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2017)(L)	9,750	9,750	9,750
		Preferred Stock (1,373 shares)(C)(L)		1,373	1,442
		Common Stock (152 shares)(C)(L)		152	7,298
				11,275	18,490
Funko Acquisition Holdings, LLC(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units)(C)(L)		260	358
		Common Stock (975 units)(C)(L)			
				260	358
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2021)(H)(L)	13,300	13,300	13,300
		Preferred Stock (19,280 shares)(C)(L)		9,583	5,883
		Common Stock (63,747 shares)(C)(L)		8	

				22,891	19,183
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due 4/2018)(L)	11,000	11,000	11,000
		Preferred Stock (3,556 shares)(C)(L)		3,556	4,650
		Common Stock (548 shares)(C)(L)		94	2,084
				14,650	17,734
Mathey Investments, Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (10.0%, Due 3/2018)(L)	1,375	1,375	1,375
		Secured First Lien Term Debt (12.0%, Due 3/2018)(L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018)(E)(I)(L)	3,500	3,500	2,148
		Common Stock (29,102 shares)(C)(L)		777	
				9,379	7,250
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 3/2018)(I)(K)	13,560	13,560	10,848
		Preferred Stock (27,900 shares)(C)(L)		2,790	
		Common Stock (27,900 shares)(C)(L)		28	
				16,378	10,848

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company[(A)]	Industry	Investment[(B)(F)]	Principal	Cost	Fair Value
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020)[(L)]	$ 13,290	$ 13,290	$ 13,290
		Preferred Stock (5,660 units)[(C)(L)]		5,660	7,025
				18,950	20,315
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares)[(C)(L)]		3,397	4,359
				3,397	4,359
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (14.0%, Due 8/2019)[(L)]	11,355	11,355	9,013
		Preferred Stock (19,935 shares)[(C)(L)]		1,994	
		Common Stock (221,500 shares)[(C)(L)]		222	
				13,571	9,013
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018)[(L)]	13,081	13,081	13,081
		Preferred Stock (4,000 shares)[(C)(L)]		4,000	4,306
				17,081	17,387
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018)[(E)(K)]	5,000	5,000	4,700
		Preferred Stock (1,499 shares)[(C)(L)]		1,499	
				1	

		Common Stock (600 shares)(C)(L)			
				6,500	4,700
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, $634 available (12.5%, Due 2/2018)(G)(L)	3,216	3,216	2,418
		Preferred Stock (12,998,639 shares)(C)(L)		3,768	
		Common Stock (10,089,048 shares)(C)(L)		753	
				7,737	2,418
Total Non-Control/Non-Affiliate Investments (represents 38.7% of total investments at fair value)				**$ 199,644**	**$ 187,900**
AFFILIATE INVESTMENTS(O):					
Alloy Die Casting Co.(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018)(K)	$ 12,215	$ 12,215	$ 11,604
		Secured First Lien Term Debt (13.5%, Due 10/2018)(K)	175	175	166
		Secured First Lien Term Debt (Due 10/2018)(K)(R)	910	910	869
		Preferred Stock (4,064 shares)(C)(L)		4,064	
		Common Stock (630 shares)(C)(L)		41	
				17,405	12,639
Behrens Manufacturing, LLC(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.0%, Due 12/2018)(Q)	9,975	9,975	10,823
		Preferred Stock (2,923 shares)(C)(Q)		2,922	9,565
				12,897	20,388
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020)(L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares)(C)(L)		4,943	9,887
				16,250	21,194

B+T Group Acquisition Inc.(M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019)(L)	14,000	14,000	14,000
		Preferred Stock (12,841 shares)(C)(L)		4,196	
				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured Second Lien Term Debt (13.0%, Due 8/2021)(L)	16,000	16,000	16,000
		Preferred Stock (4,500 shares)(C)(L)		4,500	10,061
				20,500	26,061
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares)(C)(L)		1,841	
		Common Stock (2,319,184 shares)(C)(L)			
				1,841	

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	**Industry**	**Investment(B)(F)**	**Principal**	**Cost**	**Fair Value**
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, $1,000 available (12.8% (1.0% Unused Fee), Due 3/2017)(L)	$	$	$
		Secured First Lien Term Debt (12.8%, Due 3/2020)(L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020)(L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares)(C)(L)		6,995	8,437
				30,495	31,937
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Line of Credit, $550 available (4.0% (0.5% Unused Fee), Due 8/2017)(I)(L)	4,000	4,000	4,000
		Secured First Lien Term Debt (4.0%, Due 8/2017)(I)(L)	2,575	2,575	2,420
		Secured First Lien Term Debt (4.0%, Due 8/2017)(I)(L)	8,795	8,795	
		Secured First Lien Term Debt (5.3%, Due 8/2017)(E)(L)	1,150	1,150	
		Preferred Stock (25 shares)(C)(L)		2,500	
		Common Stock (1,241 shares)(C)(L)		3	

				19,023	6,420
Edge Adhesives Holdings, Inc. (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019)(K)	9,300	9,300	9,114
		Secured First Lien Term Debt (13.8%, Due 2/2019)(K)	2,400	2,400	2,364
		Preferred Stock (3,774 units)(C)(L)		3,774	
				15,474	11,478
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020)(L)	15,000	15,000	15,000
		Preferred Stock (5,150 units)(C)(L)		5,150	6,291
				20,150	21,291
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019)(L)	9,050	9,050	9,050
		Preferred Stock (4,000 shares)(C)(L)		4,000	4,240
				13,050	13,290
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020)(L)	9,200	9,200	9,200
		Preferred Stock (1,550 shares)(C)(L)		1,550	5,709
				10,750	14,909
Meridian Rack & Pinion, Inc.(M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018)(K)	9,660	9,660	8,791
		Preferred Stock (3,381 shares)(C)(L)		3,381	595
				13,041	9,386
The Mountain Corporation	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured Second Lien Term Debt (13.5%, Due 8/2021)(L)	18,600	18,600	18,600
		Preferred Stock (6,899 shares)(C)(L)		6,899	5,028
		Common Stock (751 shares)(C)(L)		1	

				25,500	23,628
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares)(C)(L)		3,600	
		Common Stock (545 shares)(C)(L)			
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019)(L)	15,770	15,770	15,770
		Preferred Stock (6,180 shares)(C)(L)		6,180	6,373
				21,950	22,143
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020)(L)	9,618	9,618	9,618
		Preferred Stock (37,391 shares)(C)(L)		3,739	
		Common Stock (90,909 shares)(C)(L)		91	
				13,448	9,618

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company(A)	Industry	Investment(B)(F)	Principal	Cost	Fair Value
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017)(L)	$6,200	$6,200	$6,200
		Secured First Lien Term Debt (14.8%, Due 10/2017)(L)	12,200	12,200	12,200
		Preferred Stock (9,749 shares)(C)(L)		9,749	2,833
				28,149	21,233
Total Affiliate Investments (represents 57.5% of total investments at fair value)				**$301,719**	**$279,615**
CONTROL INVESTMENTS(P):					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, $500 available (6.5% (1.0% Unused Fee), Due 8/2017)(L)	$4,500	$4,500	$4,500
		Secured Second Lien Term Debt (10.0%, Due 8/2017)(L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares)(C)(L)		11,464	8,957
		Common Stock (88,843 shares)(C)(L)		48	
				21,012	18,457
Total Control Investments (represents 3.8% of total investments at fair value)				**$21,012**	**$18,457**
				$522,375	**$485,972**

TOTAL INVESTMENTS	

(A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $451.6 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, all of our investments are considered qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of September 30, 2016. Under the 1940 Act, we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.

(B) Percentages represent the weighted average cash interest rates in effect at September 30, 2016, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.

(C) Security is non-income producing.

(D) Refer to Note 10 *Commitments and Contingencies* for additional information regarding these guaranties.

(E) Last Out Tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT generally is paid after the other secured first lien debt but before the secured second lien debt.

(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 September 30, 2016.

(I) Debt security has a fixed interest rate.

(J) Reserved.

(K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. Refer to Note 3 *Investments* 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* 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.

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)(F)]	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS[(N)]:					
Auto Safety House, LLC	Automobile	Secured First Lien Line of Credit, $1,000 available (8.0% , Due 10/2019)[(I)(Q)]	$	$	$
		Secured First Lien Term Debt (8.0%, Due 10/2019)[(I)(Q)]	5,000	5,000	5,311
				5,000	5,311
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, $500 available (6.7% (0.8% Unused Fee), Due 12/2016)[(L)]	3,500	3,500	3,500
		Secured First Lien Term Debt (12.0%, Due 12/2019)[(L)]	6,433	6,443	1,191
		Secured First Lien Term Debt (12.0%, Due 12/2019)[(L)]	840	840	
		Preferred Stock (2,500 shares)[(C)(L)]		2,516	
		Common Stock (2,500 shares)[(C)(L)]		300	
				13,599	4,691
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017)[(L)]	4,000	4,000	4,000
		Preferred Stock (7,245,681 shares)[(C)(L)]		7,725	5,313
		Guaranty ($2,000)[(D)]			
		Guaranty ($279)[(D)]			
				11,725	9,313

Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020)(K)	13,000	13,000	12,984
		Common Stock Warrants (6.0% ownership)(C)(L)			1,500
				13,000	14,484
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017)(L)	9,913	9,913	9,913
		Preferred Stock (34,045 shares)(C)(L)		3,375	3,583
		Common Stock (5,372 shares)(C)(L)		63	6,459
				13,351	19,955
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2017)(L)	10,500	10,500	10,500
		Preferred Stock (1,373 shares)(C)(L)		1,373	1,386
		Common Stock (152 shares)(C)(L)		152	8,222
				12,025	20,108
Funko Acquisition Holdings, LLC(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units)(C)(L)		260	315
		Common Stock (975 units)(C)(L)			
				260	315
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2018)(H)(L)	13,300	13,300	13,300
		Preferred Stock (19,280 shares)(C)(L)		9,583	4,813
		Common Stock (63,747 shares)(C)(L)		8	
				22,891	18,113
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due 4/2018)(L)	11,000	11,000	11,000
		Preferred Stock (3,556 shares)(C)(L)		3,556	4,471
		Common Stock (548 shares)(C)(L)		94	934
				14,650	16,405

Mathey Investments, Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (10.0%, Due 3/2018)(L)	1,375	1,375	1,375
		Secured First Lien Term Debt (12.0%, Due 3/2018)(L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018)(E)(I)(L)	3,500	3,500	3,500
		Common Stock (29,102 shares)(C)(L)		777	54
				9,379	8,656
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 10/2016)(I)(K)	13,560	13,560	5,082
		Preferred Stock (27,900 shares)(C)(L)		2,790	
		Common Stock (27,900 shares)(C)(L)		28	
				16,378	5,082
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020)(L)	13,290	13,290	13,290
		Preferred Equity (5,660 units)(C)(L)		5,660	7,712
				18,950	21,002

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)(F)	Principal	Cost	Fair Value
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares)(C)(L)	$	$ 3,397	$ 4,359
				3,397	4,359
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (14.0%, Due 8/2019)(L)	11,355	11,355	11,355
		Preferred Stock (19,935 shares)(C)(L)		1,994	
		Common Stock (221,500 shares)(C)(L)		222	
				13,571	11,355
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018)(L)	13,081	13,081	13,081
		Preferred Stock (4,000 shares)(C)(L)		4,000	4,103
				17,081	17,184
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018)(E)(K)	5,000	5,000	4,600
		Preferred Stock (1,499 shares)(C)(L)		1,499	
		Common Stock (600 shares)(C)(L)		1	
				6,500	4,600
Total Non-Control/Non-Affiliate Investments (represents 37.1% of total investments at fair value)				**$ 191,757**	**$ 180,933**
AFFILIATE INVESTMENTS(O):					

Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (11.5%, Due 3/2020)(I)(Q)	$ 14,500	$ 14,500	$ 14,500
		Preferred Stock (965,982 shares)(C)(Q)		7,956	22,337
		Common Stock (549,908 shares)(C)(Q)		1,197	4,201
		Common Stock Warrants (465,639 shares)(C)(Q)		25	3,856
				23,678	44,894
Alloy Die Casting Corp.(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018)(K)	12,215	12,215	11,390
		Preferred Stock (4,064 shares)(C)(L)		4,064	612
		Common Stock (630 shares)(C)(L)		41	
				16,320	12,002
Behrens Manufacturing, LLC(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.0%, Due 12/2018)(L)	9,975	9,975	9,975
		Preferred Stock (2,923 shares)(C)(L)		2,922	8,593
				12,897	18,568
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020)(L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares)(C)(L)		4,943	5,267
				16,250	16,574
B+T Group Acquisition, Inc.(M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019)(L)	14,000	14,000	14,000
		Preferred Stock (12,841 shares)(C)(L)		4,196	
				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishing, Housewares and Durable Consumer Products	Secured First Lien Term Debt (13.0%, Due 9/2019)(L)	15,000	15,000	15,000
		Preferred Stock (4,500 shares)(C)(L)		4,500	12,835
				19,500	27,835
				2,938	989

Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,319 shares)(C)(L)			
		Common Stock (2,319,184 shares)(C)(L)			
				2,938	989
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, $1,000 available (12.8% (1% Unused Fee), Due 3/2017)(L)			
		Secured First Lien Term Debt (12.8%, Due 3/2020)(L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020)(L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares)(C)(L)		6,995	5,399
				30,495	28,899

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company(A)	Industry	Investment(B)(F)	Principal	Cost	Fair Value
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Line of Credit, $550 available (4.0% (0.5% Unused Fee), Due 8/2017)(I)(L)	$ 4,000	$ 4,000	$ 4,000
		Secured First Lien Term Debt (4.0%, Due 8/2017)(I)(L)	2,575	2,575	2,575
		Secured First Lien Term Debt (4.0%, Due 8/2017)(I)(L)	8,795	8,795	2,073
		Secured First Lien Term Debt (5.2%, Due 8/2017)(E)(L)	1,150	1,150	
		Preferred Stock (25 shares)(C)(L)		2,500	
		Common Stock (1,241 shares)(C)(L)		3	
				19,023	8,648
Edge Adhesives Holdings, Inc.(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019)(K)	9,300	9,300	8,928
		Secured First Lien Term Debt (13.8%, Due 2/2019)(K)	2,400	2,400	2,310
		Preferred Stock (3,774 units)(C)(L)		3,774	
				15,474	11,238
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020)(L)	15,000	15,000	15,000

		Preferred Stock (5,150 units)(C)(L)		5,150	5,672
				20,150	20,672
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019)(L)	9,050	9,050	9,050
		Preferred Stock (4,000 shares)(C)(L)		4,000	
				13,050	9,050
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020)(L)	9,200	9,200	9,200
		Preferred Stock (1,550 shares)(C)(L)		1,550	2,795
				10,750	11,995
Meridian Rack & Pinion, Inc. (M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018)(K)	9,660	9,660	8,791
		Preferred Stock (3,381 shares)(C)(L)		3,381	988
				13,041	9,779
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares)(C)(L)		3,600	
		Common Stock (545 shares)(C)(L)			
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019)(L)	15,770	15,770	15,770
		Preferred Stock (6,180 shares)(C)(L)		6,180	4,159
				21,950	19,929
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020)(L)	9,618	9,618	9,618
		Preferred Stock (37,391 shares)(C)(L)		3,739	3,922
		Common Stock (90,909 shares)(C)(L)		91	
				13,448	13,540
			6,200	6,200	6,200

SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017)(L)			
		Secured First Lien Term Debt (14.8%, Due 10/2017)(L)	12,200	12,200	12,200
		Preferred Stock (9,749 shares)(C)(L)		9,749	7,747
				28,149	26,147
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, $2,424 available (12.5%, Due 2/2018)(G)(L)	1,426	1,426	1,426
		Preferred Stock (12,998,639 shares)(C)(L)		3,768	538
		Common Stock (10,089,048 shares)(C)(L)		753	
				5,947	1,964
Total Affiliate Investments (represents 60.8% of total investments at fair value)				**$ 304,856**	**$ 296,723**

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

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GLADSTONE INVESTMENT CORPORATION

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company[(A)]	Industry	Investment[(B)(F)]	Principal	Cost	Fair Value
CONTROL INVESTMENTS[(P)]:					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, $0 available (6.5% (1.0% Unused Fee), Due 9/2016)[(L)]	$ 5,000	$ 5,000	$ 5,000
		Secured Second Lien Term Debt (10.0%, Due 8/2017)[(L)]	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares)[(C)(L)]		11,464	
		Common Stock (88,843 shares)[(C)(L)]		48	
				21,512	10,000
Total Control Investments (represents 2.1% of total investments at fair value)				**$ 21,512**	**$ 10,000**
TOTAL INVESTMENTS[(R)]				**$ 518,125**	**$ 487,656**

(A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling $461.4 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, all of our investments are considered qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of March 31, 2016. Under the 1940 Act, we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.

(B) Percentages represent the weighted average cash interest rates in effect at March 31, 2016, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.

(C) Security is non-income producing.

(D) Refer to Note 10 *Commitments and Contingencies* for additional information regarding these guaranties.

(E) Last Out Tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT generally is paid after the other secured first lien debt but before the secured second lien debt.

(F) Where applicable, aggregates all shares of such 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 such 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, 2016.

(I) Debt security has a fixed interest rate.

(J) Reserved.

(K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor s Securities Evaluations, Inc. Refer to Note 3 *Investments* 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* 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) Cumulative gross unrealized depreciation for federal income tax purposes is $86.2 million; cumulative gross unrealized appreciation for federal income tax purposes is $60.4 million. Cumulative net unrealized depreciation is $25.8 million, based on a tax cost of $513.5 million.

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

GLADSTONE INVESTMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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

NOTE 1. ORGANIZATION

Gladstone Investment Corporation (Gladstone Investment) was incorporated under the General Corporation Law of the State of Delaware on February 18, 2005, and completed an initial public offering on June 22, 2005. The terms the Company, we, our and us all refer to Gladstone Investment and its consolidated subsidiaries. We are an externally advised, closed-end, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act), and is applying the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946 *Financial Services-Investment Companies* (ASC 946). In addition, we have elected to be treated for tax purposes as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). We were established for the purpose of investing in debt and equity securities of established private businesses in the United States (U.S.). Debt investments primarily take the form of two types of loans: secured first lien loans and secured second lien loans. Equity investments primarily take the form of preferred or common equity (or warrants or options to acquire the foregoing), often in connection with buyouts and other recapitalizations. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to our stockholders that grow over time, and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow in value over time to permit us to sell our equity investments for capital gains. We aim to maintain a portfolio allocation of approximately 75.0% debt investments and 25.0% equity investments, at cost.

Gladstone Business Investment, LLC (Business Investment), a wholly-owned subsidiary of ours, was established on August 11, 2006 for the sole purpose of owning our portfolio of investments in connection with our line of credit. The financial statements of Business Investment are consolidated with those of Gladstone Investment. We also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission s (SEC) Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 12 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

We are externally managed by Gladstone Management Corporation (the Adviser), an affiliate of ours and an SEC registered investment adviser, pursuant to an investment advisory agreement and management agreement. Administrative services are provided by Gladstone Administration, LLC (the Administrator), an affiliate of ours and the Adviser, pursuant to an administration agreement. Refer to Note 4 *Related Transactions* for more information regarding these arrangements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of SEC Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. In accordance with Article 6 of Regulation S-X, under the Securities Act of 1933, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and six months ended September 30, 2016 are not necessarily indicative of results that ultimately may be achieved for the year. 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, 2016, as filed with the SEC on May 17, 2016.

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Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the amounts reported in our accompanying Consolidated Financial Statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which simplifies the presentation of debt issuance costs. ASU 2015-03 requires the presentation of debt issuance costs as a deduction from the carrying amount of the related debt liability instead of as a deferred financing cost asset on the balance sheet. In August 2015, the FASB issued Accounting Standards Update 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (ASU 2015-15), which codifies an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line of credit arrangements as assets. ASU 2015-03 was effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-03 during the three months ended June 30, 2016. ASU 2015-15 was effective immediately and we opted to continue to present debt issuance costs related to line of credit arrangements as assets.

As of June 30, 2016 and March 31, 2016, we had unamortized deferred financing costs related to our mandatorily redeemable preferred stock of $3.0 million and $3.2 million, respectively. These costs have been reclassified from Deferred financing costs, net, to Mandatorily redeemable preferred stock, net. All periods presented have been retrospectively adjusted.

The following table summarizes the retrospective adjustment and the overall impact on the previously reported consolidated financial statements:

	March 31, 2016	
	As Previously Reported	Retrospective Application
Deferred financing costs, net	$ 4,332	$ 1,147
Mandatorily redeemable preferred stock, net	121,650	118,465

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

Board Responsibility

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

There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses the Policy and each quarter the Valuation Committee and Board of Directors review the Policy to determine if changes thereto are advisable and also review whether the Valuation Team has applied the Policy consistently.

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Use of Third Party Valuation Firms

The Valuation Team engages third party valuation firms to provide independent assessments of fair value of certain of our investments.

Standard & Poor s Securities Evaluation, Inc. (SPSE), a valuation specialist, provides estimates of fair value on our debt investments. The Valuation Team generally assigns SPSE s estimates of fair value to our debt investments where we do not have the ability to effectuate a sale of the applicable portfolio company. The Valuation Team corroborates SPSE s estimates of fair value using one or more of the valuation techniques discussed below. The Valuation Team s estimate of value on a specific debt investment may significantly differ from SPSE s. When this occurs, our Valuation Committee and Board of Directors review whether the Valuation Team has followed the Policy and whether the Valuation Team s recommended fair value is reasonable in light of the Policy and other facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

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

Valuation Techniques

In accordance with ASC 820, the Valuation Team uses the following techniques when valuing our investment portfolio:

Total Enterprise Value In determining the fair value using a total enterprise value (TEV), the Valuation Team first calculates the TEV of the portfolio company by incorporating some or all of the following factors: the portfolio company s ability to make payments and other specific portfolio company attributes; the earnings of the portfolio company (the trailing or projected twelve month revenue or earnings before interest, taxes, depreciation and amortization (EBITDA)); EBITDA or revenue multiples obtained from our indexing methodology whereby the original transaction EBITDA or revenue multiple at the time of our closing is indexed to a general subset of comparable disclosed transactions and EBITDA or revenue multiples from recent sales to third parties of similar securities in similar industries; a comparison to publicly traded securities in similar industries, and other pertinent factors. The Valuation Team generally reviews industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then generally allocates the TEV to the portfolio company s securities in order of their relative priority in the capital structure. Generally, the Valuation Team uses TEV to value our equity investments and, in the circumstances where we have the ability to effectuate a sale of a portfolio company, our debt investments.

TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity risks. Generally, the Valuation Team uses the DCF to calculate TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

Yield Analysis The Valuation Team generally determines the fair value of our debt investments using the yield analysis, which includes a DCF calculation and the Valuation Team s own assumptions, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

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

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

In addition to the valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties guaranties; any relevant offers or letters of intent to acquire the portfolio company; timing of expected loan repayments; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the current reporting quarter are generally valued at our original cost basis.

Fair value measurements of our investments may involve subjective judgments and estimates and, due to the uncertainty inherent in valuing these securities, the Adviser s 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 Adviser s determinations regarding the fair value of our investments are materially different from the values that we ultimately realize upon our disposal of such securities. 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 September 30 and March 31, 2016 our loan to Tread Corporation (Tread) was on non-accrual status, with an aggregate debt cost basis of $3.2 million and $1.4 million, or 0.9% and 0.4% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of $2.4 million and $1.4 million, or 0.7% and 0.4% of the fair value of all debt investments in our portfolio, respectively.

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 over the life of the obligation. As of September 30 and March 31, 2016, we did not have any loans with a PIK interest component. During the three and six months ended September 30, 2016 and 2015, we did not record any PIK income, nor did we collect any PIK interest in cash.

Other Income Recognition

We record success fee 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 from an exit or sale. We did not record any success fee income during the three and six months ended September 30, 2016. During the three and six months ended September 30, 2015, we recorded success fee income of $0 and $0.9 million, respectively.

We accrue dividend income on preferred and common equity securities of our portfolio companies 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 and six months ended September 30, 2016, we recorded dividend income of $12 and $2.8 million, respectively. During the three and six months ended September 30, 2015, we recorded dividend income of $1.8 million and $2.2 million, respectively.

Both success fee and dividend income are recorded in other income in our accompanying *Consolidated Statements of Operations*.

Deferred Financing and Offering Costs

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

Related Party Fees

We have entered into an investment advisory and management agreement (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 our Fifth Amended and Restated Credit Agreement dated April 30, 2013, as amended (our Credit Facility).

We have entered into an administration agreement (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. These fees are accrued when the services are performed and generally paid one month in arrears.

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

Recent Accounting Pronouncements

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

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

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

In May 2015, the FASB issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2015-07), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share (or its equivalent) using the practical expedient in the FASB s fair value measurement guidance. The adoption of ASU 2015-07 did not have a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-07 is required to be adopted retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-07 effective April 1, 2016.

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

In August 2014, the FASB issued Accounting Standards Update 2014 15, *Presentation of Financial Statements Going Concern (Subtopic 205 40): Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. We are currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter, with early adoption permitted.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), as 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), and in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), which 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. We are currently assessing the impact of ASU 2014-09, as amended, and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. 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, and ASU 2016-12, 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.

NOTE 3. INVESTMENTS

Fair Value

In accordance with ASC 820, our investments fair value is determined to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the following three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical financial instruments in active markets;

Level 2 inputs to the valuation methodology include quoted prices for similar financial instruments in active or inactive markets, and inputs that are observable for the financial instrument, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 inputs are in those markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers; and

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team s assumptions based upon the best available information.

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

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As of September 30, 2016 and March 31, 2016, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy. We transfer investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the three and six months ended September 30, 2016 and 2015, there were no transfers in or out of Level 1, 2 and 3.

The following table presents our portfolio investments carried at fair value as of September 30, 2016 and March 31, 2016, 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*	
	September 30, 2016	**March 31, 2016**
Non-Control/Non-Affiliate Investments		
Secured first lien debt	**$ 91,231**	$ 92,343
Secured second lien debt	**41,278**	35,366
Preferred equity	**33,132**	31,696
Common equity/equivalents	**22,259**	21,528
Total Non-Control/Non-Affiliate Investments	**187,900**	180,933
Affiliate Investments		
Secured first lien debt	**166,377**	182,694
Secured second lien debt	**44,218**	24,118
Preferred equity	**69,020**	81,854
Common equity/equivalents		8,057
Total Affiliate Investments	**279,615**	296,723
Control Investments		
Secured first lien debt	**4,500**	5,000
Secured second lien debt	**5,000**	5,000
Preferred equity	**8,957**	
Common equity/equivalents		
Total Control Investments	**18,457**	10,000
Total investments at fair value using Level 3 inputs	**$ 485,972**	$ 487,656

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In accordance with the FASB s ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)* (ASU 2011-04), the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of September 30, 2016 and March 31, 2016. 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 September 30, 2016	**Fair Value as of March 31, 2016**	**Valuation Technique/ Methodology**	**Unobservable Input**	**Range / Weighted Average as of September 30, 2016**	**Range / Weighte Average as of March 31, 2016**
ured first lien t	**$ 219,086[A]**	$ 238,707	TEV	EBITDA multiple	4.2x 7.8x / 6.0x	4.4x 8.2x / 6.3
				EBITDA	$1,057 - $10,486 / $4,037	$970 - $8,713 / $3,374
				Discount Rate		20.0% - 20.0% / 20.0
	43,022[B]	41,330[B]	Yield Analysis	Discount Rate	13.5% - 18.5% / 16.2%	14.2% - 17.7% / 16.
ured second lien t	**66,518[C]**	46,418[C]	TEV	EBITDA multiple	5.2x 7.3x / 6.3x	5.5x 6.2x / 5.9
				EBITDA	$2,559 - $5,391 / $4,611	$2,718 - $4,851 / $3,
	23,978	18,066	Yield Analysis	Discount Rate	9.7% - 18.8% / 14.3%	10.1% - 20.0% / 15.1%
ferred equity[D]	**111,109**	113,550	TEV	EBITDA multiple	4.2x 7.8x / 6.1x	4.4x 8.2x / 6.4
				EBITDA	$1,057 - $86,041 / $4,456	$0 - $76,487 / $3,56
				Discount Rate	20.0% - 20.0% / 20.0%	20.0% - 20.0% / 20.0
				Revenue multiple		0.2x 0.5x / 0.4
				Revenue		$29,300 - $56,937 $42,761
nmon ity/equivalents[E]	**22,259**	29,585	TEV	EBITDA multiple	4.2x 11.0x / 8.6x	4.4x 11.0x / 8.7
				EBITDA	$1,057 - $17,465 / $10,917	$0 - $76,487 / $82
				Discount Rate	20.0% - 20.0% / 20.0%	20.0% - 20.0% / 20.0

				Revenue multiple	0.2x	0.5x / 0.2x
				Revenue	$29,300 - $56,937	$56,937
al	**$**	**485,972**	$	487,656		

(A) Fair value as of September 30, 2016 includes one proprietary debt investment for $10.8 million, which was valued at the expected payoff amount.

(B) Fair value as of September 30, 2016 includes one proprietary debt investment for $5.4 million, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes one proprietary debt investment for $5.3 million which was valued at the expected payoff amount.

(C) Fair value as of March 31, 2016 includes one proprietary debt investment for $14.5 million, which was valued at the expected payoff amount.

(D) Fair value as of September 30, 2016 includes one proprietary equity investment for $9.6 million, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes one proprietary equity investment for $22.3 million, which was valued at the expected exit amount.

(E) Fair value as of March 31, 2016 includes two proprietary equity investments for a combined $8.1 million, which were valued at the expected exit amount.

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

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Changes in Level 3 Fair Value Measurements of Investments

The following tables provide the changes in fair value of our portfolio, broken out by security type, during the three and six months ended September 30, 2016 and 2015 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 September 30, 2016:					
Fair value as of June 30, 2016	**$ 280,388**	**$ 69,990**	**$ 113,566**	**$ 27,037**	**$ 490,981**
Total gain (loss):					
Net realized gain (loss)[A]				20	20
Net unrealized appreciation (depreciation)[B]	(3,240)	4,506	(1,509)	(4,778)	(5,021)
Reversal of previously recorded appreciation upon realization[B]					
New investments, repayments and settlements[C]:					
Issuances / originations	1,210	1,000			2,210
Settlements / repayments	(1,250)				(1,250)
Sales			(948)	(20)	(968)
Transfers[D]	(15,000)	15,000			
Fair value as of September 30, 2016	**$**				