

GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
November 01, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission file number: 814-00704

GLADSTONE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

83-0423116
(I.R.S. Employer
Identification No.)

1521 WESTBRANCH DRIVE, SUITE 100

MCLEAN, VIRGINIA
(Address of principal executive offices)
(703) 287-5800

22102
(Zip Code)

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

The number of shares of the issuer's Common Stock, \$0.001 par value per share, outstanding as of October 31, 2017, was 32,526,223.

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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, 2017	March 31, 2017
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$206,952 and \$225,046, respectively)	\$ 221,482	\$ 223,451
Affiliate investments (Cost of \$305,908 and \$278,811, respectively)	286,574	262,086
Control investments (Cost of \$21,512 and \$21,312 respectively)	12,118	16,042
Cash and cash equivalents	2,433	2,868
Restricted cash and cash equivalents	422	1,231
Interest receivable	2,375	2,305
Due from custodian	2,043	2,238
Deferred financing costs, net	1,319	1,588
Other assets, net	952	3,386
TOTAL ASSETS	\$ 529,718	\$ 515,195
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$56,700 and \$69,700, respectively)	\$ 56,700	\$ 69,700
Secured borrowing	5,096	5,096
Total borrowings	61,796	74,796
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 6,356,000 shares authorized; 5,566,000 shares issued and outstanding, net	135,225	134,835
Accounts payable and accrued expenses	956	578
Fees due to Adviser ^(A)	1,786	1,671
Fee due to Administrator ^(A)	201	296
Other liabilities	1,206	1,937
TOTAL LIABILITIES	\$ 201,170	\$ 214,113
Commitments and contingencies ^(B)		
NET ASSETS	\$ 328,548	\$ 301,082
ANALYSIS OF NET ASSETS		
	\$ 33	\$ 30

Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 32,526,223 and 30,270,958 shares issued and outstanding, respectively		
Capital in excess of par value	329,731	310,332
Cumulative net unrealized depreciation of investments	(14,198)	(23,590)
Net investment income in excess of distributions	6,784	7,283
Accumulated net realized gain	6,198	7,027
TOTAL NET ASSETS	\$ 328,548	\$ 301,082
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 10.10	\$ 9.95

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

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2017	2016	2017	2016
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 4,587	\$ 4,357	\$ 9,053	\$ 8,862
Affiliate investments	6,408	7,168	12,480	14,082
Control investments	210	204	416	413
Cash and cash equivalents	8	1	10	1
Total interest income	11,213	11,730	21,959	23,358
Dividend income				
Non-Control/Non-Affiliate investments	1,770	12	1,770	16
Affiliate investments			865	2,750
Total dividend income	1,770	12	2,635	2,766
Success fee income				
Non-Control/Non-Affiliate investments	149		2,158	
Total success fee income	149		2,158	
Other income		2		13
Total investment income	13,132	11,744	26,752	26,137
EXPENSES				
Base management fee ^(A)	2,554	2,489	5,070	4,998
Loan servicing fee ^(A)	1,485	1,722	3,049	3,403
Incentive fee ^(A)	1,295	549	2,467	2,249
Administration fee ^(A)	201	275	508	574
Interest expense on borrowings	754	953	1,483	1,924
Dividends on mandatorily redeemable preferred stock	2,251	2,115	4,502	4,180
Amortization of deferred financing costs and discounts	367	481	734	962
Professional fees	260	194	579	386
Other general and administrative expenses	626	690	1,698	891
Expenses before credits from Adviser	9,793	9,468	20,090	19,567

Credits to base management fee – loan servicing fee ^(A)	(1,485)	(1,722)	(3,049)	(3,403)
Credits to fees from Adviser – other ^(A)	(926)	(1,114)	(1,474)	(1,951)
Total expenses, net of credits to fees	7,382	6,632	15,567	14,213
NET INVESTMENT INCOME	5,750	5,112	11,185	11,924
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	37	(12)	978	(165)
Affiliate investments	(80)	3	144	18,792
Control investments		(2)		(3)
Other		(182)		(257)
Total net realized gain (loss)	(43)	(193)	1,122	18,367
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	14,293	(8,136)	16,124	(919)
Affiliate investments	(4,945)	1,977	(2,610)	(13,972)
Control investments	(1,499)	1,138	(4,124)	8,957
Other				75
Total net unrealized appreciation (depreciation)	7,849	(5,021)	9,390	(5,859)
Net realized and unrealized gain (loss)	7,806	(5,214)	10,512	12,508
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 13,556	\$ (102)	\$ 21,697	\$ 24,432
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	\$ 0.18	\$ 0.17	\$ 0.35	\$ 0.39
Net increase (decrease) in net assets resulting from operations	0.42		0.68	0.81
Distributions	0.19	0.19	0.44	0.38
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	32,526,223	30,270,958	32,003,128	30,270,958

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Six Months Ended September 30,	
	2017	2016
OPERATIONS		
Net investment income	\$ 11,185	\$ 11,924
Net realized gain on investments	1,122	18,624
Net realized loss on other		(257)
Net unrealized appreciation (depreciation) of investments	9,390	(5,934)
Net unrealized appreciation of other		75
Net increase in net assets from operations	21,697	24,432
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	(12,336)	(11,352)
Distributions to common stockholders from realized gains	(1,951)	
Net decrease in net assets from distributions	(14,287)	(11,352)
CAPITAL ACTIVITY		
Issuance of common stock	21,154	
Discounts, commissions, and offering costs for issuance of common stock	(1,098)	
Net increase in net assets from capital activity	20,056	
TOTAL INCREASE IN NET ASSETS	27,466	13,080
NET ASSETS, BEGINNING OF PERIOD	301,082	279,022
NET ASSETS, END OF PERIOD	\$ 328,548	\$ 292,102

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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 21,697	\$ 24,432
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchase of investments	(31,648)	(31,186)
Principal repayments of investments	17,610	16,661
Net proceeds from the sale of investments	5,796	28,479
Net realized gain on investments	(1,214)	(18,662)
Net realized loss on other		257
Net unrealized (appreciation) depreciation of investments	(9,390)	5,934
Net unrealized appreciation of other		(75)
Amortization of premiums, discounts, and acquisition costs, net	(6)	
Amortization of deferred financing costs and discounts	734	962
Bad debt expense, net of recoveries	575	(186)
Changes in assets and liabilities:		
Decrease in restricted cash and cash equivalents	808	464
(Increase) decrease in interest receivable	(524)	818
Decrease (increase) in due from custodian	195	(1,051)
Decrease in other assets, net	2,469	2,885
Increase (decrease) in accounts payable and accrued expenses	378	(71)
Increase (decrease) in fees due to Adviser ^(A)	115	(1,290)
Decrease in fee due to Administrator ^(A)	(95)	(36)
Decrease in other liabilities	(637)	(481)
Net cash provided by operating activities	6,863	27,854
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	21,154	
Discounts, commissions, and offering costs for issuance of common stock	(1,090)	
Proceeds from line of credit	49,600	37,200
Repayments on line of credit	(62,600)	(68,700)
Proceeds from issuance of mandatorily redeemable preferred stock		57,500
Redemption of mandatorily redeemable preferred stock		(40,000)
Deferred financing and offering costs	(75)	(1,886)
Distributions paid to common stockholders	(14,287)	(11,352)

Net cash used in financing activities	(7,298)	(27,238)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(435)	616
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,868	4,481
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,433	\$ 5,097
CASH PAID FOR INTEREST	\$ 1,135	\$ 1,730
NON-CASH ACTIVITIES^(B)	\$ 9,379	\$

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

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N)			
67.4%			
Secured First Lien Debt 34.3%			
Chemicals, Plastics, and Rubber 3.0%			
Drew Foam Companies, Inc. Term Debt (13.5%, Due 12/2017) ^(Q)	\$ 9,913	\$ 9,913	\$ 9,989
Containers, Packaging, and Glass 2.9%			
Frontier Packaging, Inc. Term Debt (12.0%, Due 12/2019) ^(I)	9,500	9,500	9,500
Diversified/Conglomerate Services 11.2%			
Counsel Press, Inc. Line of Credit, \$500 available (13.0% (1.0% Unused Fee), Due 3/2018) ^(L)			
Counsel Press, Inc. Term Debt (13.0%, Due 3/2020) ^(I)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (14.2%, Due 3/2020) ^(I)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (12.7%, Due 12/2020) ^(I)	13,290	13,290	13,290
		36,790	36,790
Farming and Agriculture 4.9%			
Jackrabbit, Inc. Term Debt (13.5%, Due 4/2018) ^(I)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (12.5%, Due 5/2018) ^(I)	5,000	5,000	5,000
		16,000	16,000
Leisure, Amusement, Motion Pictures, and Entertainment 4.0%			
Schylling, Inc. Term Debt (13.0%, Due 8/2018) ^(I)	13,081	13,081	13,081
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 6.1%			
SBS Industries, LLC Line of Credit, \$1,500 available (10.0% (1.0% Unused Fee), Due 6/2018) ^(L)			
SBS Industries, LLC Term Debt (14.0%, Due 6/2020) ^(I)	19,957	19,957	19,957

		19,957		19,957
Oil and Gas 1.0%				
Tread Corporation Line of Credit, \$634 available (12.5%, Due 2/2018) ^{(G)(L)}	3,216	3,216		3,216
Personal, Food, and Miscellaneous Services 1.2%				
B-Dry, LLC Line of Credit, \$100 available (1.5% (0.8% Unused Fee), Due 12/2018) ^(L)	4,550	4,550		3,980
B-Dry, LLC Term Debt (1.5%, Due 12/2019) ^(b)	6,443	6,443		
B-Dry, LLC Term Debt (1.5%, Due 12/2019) ^(b)	840	840		
		11,833		3,980
Total Secured First Lien Debt		\$ 120,290		\$ 112,513
Secured Second Lien Debt 9.2%				
Automobile 1.2%				
Country Club Enterprises, LLC Term Debt (18.7%, Due 5/2018) ^(L)	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000
Cargo Transport 4.0%				
Diligent Delivery Systems Term Debt (10.0%, Due 11/2022) ^(Q)	13,000	12,905		13,000
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.0%				
Ginsey Home Solutions, Inc. Term Debt (13.5%, Due 1/2021) ^{(H)(L)}	13,300	13,300		13,300
Total Secured Second Lien Debt		\$ 30,205		\$ 30,300
Preferred Equity 14.3%				
Automobile 0.7%				
Country Club Enterprises, LLC Preferred Stock ^{(E)(L)}	7,304,792	\$ 7,725	\$ 2,169	
Country Club Enterprises, LLC Guaranty (\$2,000) ^(Y)				
		\$ 7,725	\$ 2,169	
Chemicals, Plastics, and Rubber 1.1%				
Drew Foam Companies, Inc. Preferred Stock ^{(E)(Q)}	34,045	\$ 3,375	\$ 3,456	

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Containers, Packaging, and Glass 0.4%			
Frontier Packaging, Inc. Preferred Stock ^{(C)(L)}	1,373	\$ 1,373	\$ 1,373
Diversified/Conglomerate Services 7.6%			
Counsel Press, Inc. Preferred Stock ^{(C)(L)}	6,995	6,995	5,446
Nth Degree, Inc. Preferred Stock ^{(C)(L)}	5,660	5,660	19,424
		12,655	24,870
Farming and Agriculture 1.0%			
Jackrabbit, Inc. Preferred Stock ^{(C)(L)}	3,556	3,556	2,271
Star Seed, Inc. Preferred Stock ^{(C)(L)}	1,499	1,499	978
		5,055	3,249
Home and Office Furnishings, Housewares, and Durable Consumer Products 2.5%			
Ginsey Home Solutions, Inc. Preferred Stock ^{(C)(L)}	19,280	9,583	8,359
Leisure, Amusement, Motion Pictures, and Entertainment 0.0%			
Schylling, Inc. Preferred Stock ^{(C)(L)}	4,000	4,000	
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.5%			
SBS Industries, LLC Preferred Stock ^{(C)(L)}	27,705	2,772	1,724
Oil and Gas 0.5%			
Tread Corporation Preferred Stock ^{(C)(L)}	12,998,639	3,768	1,732
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
Funko Acquisition Holdings, LLC ^(M) Preferred Stock ^{(C)(L)}	260	167	159
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock ^{(C)(L)}	2,500	2,516	

Total Preferred Equity		\$	52,989	\$	47,091
Common Equity 9.6%					
Cargo Transport 0.9%					
Diligent Delivery Systems Common Stock Warrant ^{(C)(Q)}	8%	\$	500	\$	2,832
Chemicals, Plastics, and Rubber 5.3%					
Drew Foam Companies, Inc. Common Stock ^{(C)(Q)}	5,372		63		17,477
Containers, Packaging, and Glass 3.1%					
Frontier Packaging, Inc. Common Stock ^{(C)(L)}	152		152		10,142
Farming and Agriculture 0.0%					
Jackrabbit, Inc. Common Stock ^{(C)(L)}	548		94		
Star Seed, Inc. Common Stock ^{(C)(L)}	600		1		
			95		
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.0%					
Ginsey Home Solutions, Inc. Common Stock ^{(C)(L)}	63,747		8		
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%					
SBS Industries, LLC Common Stock ^{(C)(L)}	221,500		222		
Oil and Gas 0.0%					
Tread Corporation Common Stock ^{(C)(L)}	10,089,048		753		
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%					
Funko Acquisition Holdings, LLC ^(M) Common Stock ^{(C)(L)}	975				

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Common Stock ^{(C)(L)}	2,500	\$ 300	\$
Utilities 0.3%			
AquaVenture Holdings Limited Common Stock ^{(C)(S)(U)}	83,453	1,375	1,127
Total Common Equity		\$ 3,468	\$ 31,578
Total Non-Control/Non-Affiliate Investments			
		\$ 206,952	\$ 221,482
AFFILIATE INVESTMENTS^(O) 87.2%			
Secured First Lien Debt 52.1%			
Automobile 2.6%			
Meridian Rack & Pinion, Inc. ^(M) Term Debt (13.5%, Due 12/2018) ^(K)	\$ 9,660	\$ 9,660	\$ 8,501
Beverage, Food, and Tobacco 2.8%			
Head Country, Inc. Term Debt (12.5%, Due 2/2019) ^(H)	9,050	9,050	9,050
Chemicals, Plastics, and Rubber 4.6%			
GI Plastek, Inc. Term Debt (13.3%, Due 7/2020) ^(I)	15,000	15,000	15,000
Diversified/Conglomerate Manufacturing 7.7%			
Alloy Die Casting Co. ^(M) Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	12,215	12,215	7,634
Alloy Die Casting Co. ^(M) Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	175	175	109
Alloy Die Casting Co. ^(M) Term Debt (Due 10/2018) ^{(K)(R)}	910	910	574
D.P.M.S., Inc. Term Debt (10.0%, Due 10/2021) ^{(I)(L)}	8,795	8,795	6,354
Edge Adhesives Holdings, Inc. ^(M) Term Debt (12.5%, Due 2/2019) ^(K)	9,300	9,300	8,556
	2,400	2,400	2,220

Edge Adhesives Holdings, Inc. ^(M) Term Debt (13.8%, Due 2/2019) ^(K)		33,795	25,447
Diversified/Conglomerate Services 6.4%			
JR Hobbs Co. Atlanta, LLC Term Debt (13.0%, Due 2/2022)	21,000	21,000	21,000
Home and Office Furnishings, Housewares, and Durable Consumer Products 8.2%			
Brunswick Bowling Products, Inc. Term Debt (16.3%, Due 5/2020) ^(L)	11,307	11,307	11,307
Old World Christmas, Inc. Term Debt (13.3%, Due 10/2019) ^(J)	15,770	15,770	15,770
		27,077	27,077
Leisure, Amusement, Motion Pictures, and Entertainment 5.8%			
SOG Specialty Knives & Tools, LLC Term Debt (13.3%, Due 8/2020) ^(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (14.8%, Due 8/2020) ^(L)	12,200	12,200	12,200
SOG Specialty Knives & Tools, LLC Term Debt (Due 8/2020) ^{(L)(R)}	538	538	538
		18,938	18,938
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.9%			
Pioneer Square Brands, Inc. Line of Credit, \$1,200 available (10.2% (1.0% Unused Fee), Due 2/2018) ^(T)	1,800	1,800	1,800
Pioneer Square Brands, Inc. Term Debt (13.2%, Due 8/2022) ^(J)	21,000	21,000	21,000
		22,800	22,800
Telecommunications 4.3%			
B+T Group Acquisition, Inc. ^(M) Term Debt (13.0%, Due 12/2019) ^(L)	14,000	14,000	14,000
Textiles and Leather 2.8%			
Logo Sportswear, Inc. Term Debt (12.5%, Due 3/2020) ^(J)	9,200	9,200	9,200
Total Secured First Lien Debt		\$ 180,520	\$ 171,013
Secured Second Lien Debt 11.8%			
Diversified/Conglomerate Manufacturing 2.9%			
Precision Southeast, Inc. Term Debt (14.0%, Due 9/2020) ^{(S)(L)}	\$ 9,618	\$ 9,618	\$ 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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.9%			
Cambridge Sound Management, Inc. Term Debt (13.0%, Due 8/2021) ^(L)	\$ 16,000	\$ 16,000	\$ 16,000
Personal and Non-Durable Consumer Products (Manufacturing Only) 4.0%			
The Mountain Corporation Term Debt (13.7%, Due 8/2021) ^(I)	18,600	18,600	13,257
The Mountain Corporation Term Debt (Due 8/2021) ^{(I)(R)}	1,000	1,000	
		19,600	13,527
Total Secured Second Lien Debt		\$ 45,218	\$ 38,875
Preferred Equity 23.3%			
Automobile 0.1%			
Meridian Rack & Pinion, Inc. ^(M) Preferred Stock ^{(K)(L)}	3,381	\$ 3,381	\$ 311
Beverage, Food, and Tobacco 1.6%			
Head Country, Inc. Preferred Stock ^{(K)(L)}	4,000	4,000	5,117
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock ^{(K)(L)}	3,600	3,600	
Chemicals, Plastics, and Rubber 1.2%			
GI Plastek, Inc. Preferred Stock ^{(K)(L)}	5,150	5,150	3,898
Diversified/Conglomerate Manufacturing 0.8%			
Alloy Die Casting Co. ^(M) Preferred Stock ^{(K)(L)}	5,114	5,114	
Channel Technologies Group, LLC Preferred Stock ^{(K)(L)}	2,279	1,841	
Edge Adhesives Holdings, Inc. ^(M) Preferred Stock ^{(K)(L)}	3,774	3,774	
Precision Southeast, Inc. Preferred Stock ^{(K)(L)}	37,391	3,739	2,776

			14,468	2,776
Diversified/Conglomerate Services 2.4%				
JR Hobbs Co. Atlanta, LLC	Preferred Stock ^{(C)(L)}	5,920	5,920	7,901
Home and Office Furnishings, Housewares, and Durable Consumer Products 12.1%				
Brunswick Bowling Products, Inc.	Preferred Stock ^{(C)(L)}	4,943	4,943	9,887
Cambridge Sound Management, Inc.	Preferred Stock ^{(C)(L)}	4,500	4,500	19,381
Old World Christmas, Inc.	Preferred Stock ^{(C)(L)}	6,180	6,180	10,667
			15,623	39,935
Leisure, Amusement, Motion Pictures, and Entertainment 0.0%				
SOG Specialty Knives & Tools, LLC	Preferred Stock ^{(C)(L)}	9,749	9,749	
Personal and Non-Durable Consumer Products (Manufacturing Only) 1.7%				
The Mountain Corporation	Preferred Stock ^{(C)(L)}	6,899	6,899	
Pioneer Square Brands, Inc.	Preferred Stock ^{(C)(T)}	5,502	5,500	5,500
			12,399	5,500
Telecommunications 0.1%				
B+T Group Acquisition, Inc. ^(M)	Preferred Stock ^{(C)(L)}	12,841	4,196	327
Textiles and Leather 3.3%				
Logo Sportswear, Inc.	Preferred Stock ^{(C)(L)}	1,550	1,550	10,921
Total Preferred Equity			\$ 80,036	\$ 76,686
Common Equity 0.0%				
Cargo Transport 0.0%				
NDLI, Inc.	Common Stock ^{(C)(L)}	545	\$	\$

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Diversified/Conglomerate Manufacturing 0.0%			
Alloy Die Casting Co. ^(M) Common Stock ^{(K)(L)}	630	\$ 41	\$
Channel Technologies Group, LLC Common Stock ^{(K)(L)}	2,319,184		
D.P.M.S., Inc. Common Stock ^{(K)(L)}	627	1	
Precision Southeast, Inc. Common Stock ^{(K)(L)}	90,909	91	
		133	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
The Mountain Corporation Common Stock ^{(K)(L)}	751	1	
Total Common Equity		\$ 134	\$
Total Affiliate Investments		\$ 305,908	\$ 286,574
CONTROL INVESTMENTS^(P) 3.7%:			
Secured First Lien Debt 1.5%			
Aerospace and Defense 1.5%			
Galaxy Tool Holding Corporation Line of Credit, \$0 available \$ (6.5% (1.0% Unused Fee), Due 8/2019) ^(L)	5,000	\$ 5,000	\$ 5,000
Secured Second Lien Debt 1.5%			
Aerospace and Defense 1.5%			
Galaxy Tool Holding Corporation Term Debt (10.0%, 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 ^{(K)(L)}	5,517,444	\$ 11,464	\$ 2,118

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	\$ 12,118
TOTAL INVESTMENTS	158.3%		\$	534,372	\$ 520,174

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, 2017
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

- (A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$451.8 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 September 30, 2017, our investment in AquaVenture Holdings Limited (AquaVenture) is considered a non-qualifying asset under Section 55 of the 1940 Act and represents 0.2% of total investments, at fair value.
- (B) Interest rate percentages represent the cash interest rates in effect at September 30, 2017, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate, which was 1.2% as of September 30, 2017. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.
- (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 September 30, 2017.
- (E) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (F) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of September 30, 2017.
- (I) Debt security has a fixed interest rate.
- (J) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (M)

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

- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Debt security does not have a stated current interest rate.
- (S) Fair value was based on the closing market price of our shares as of the reporting date. AquaVenture is traded on the New York Stock Exchange under the trading symbol WAAS.
- (T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended September 30, 2017 best represents fair value as of September 30, 2017.
- (U) As of September 30, 2017, our investment in AquaVenture was valued using Level 1 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (V) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N)			
74.2%			
Secured First Lien Debt 36.1%			
Chemicals, Plastics, and Rubber 3.3%			
Drew Foam Companies, Inc. Term Debt (13.5%, Due 8/2017) ^(L)	\$ 9,913	\$ 9,913	\$ 9,913
Containers, Packaging, and Glass 3.2%			
Frontier Packaging, Inc. Term Debt (12.0%, Due 12/2019) ^(J)	9,500	9,500	9,500
Diversified/Conglomerate Services 12.2%			
Counsel Press, Inc. Line of Credit, \$500 available (12.8% (1.0% Unused Fee), Due 3/2018) ^(L)			
Counsel Press, Inc. Term Debt (12.8%, Due 3/2020) ^(J)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (14.0%, Due 3/2020) ^(J)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (12.5%, Due 12/2020) ^(J)	13,290	13,290	13,290
		36,790	36,790
Farming and Agriculture 5.2%			
Jackrabbit, Inc. Term Debt (13.5%, Due 4/2018) ^(J)	11,000	11,000	11,000
Star Seed, Inc. Term Debt (12.5%, Due 5/2018) ^(J)	5,000	5,000	4,675
		16,000	15,675
Leisure, Amusement, Motion Pictures, and Entertainment 4.3%			
Schylling, Inc. Term Debt (13.0%, Due 8/2018) ^(J)	13,081	13,081	13,081
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 5.7%			
Mathey Investments, Inc. Term Debt (10.0%, Due 3/2018) ^(J)	1,375	1,375	1,375
Mathey Investments, Inc. Term Debt (12.0%, Due 3/2018) ^(J)	3,727	3,727	3,727
Mathey Investments, Inc. Term Debt (12.5%, Due 3/2018) ^(L)	3,500	3,500	1,619
SBS Industries, LLC Term Debt (14.0%, Due 8/2019) ^(J)	11,355	11,355	10,561
		19,957	17,282

Oil and Gas 0.7%			
Tread Corporation Line of Credit, \$634 available (12.5%, Due 2/2018) ^{(G)(L)}	3,216	3,216	2,017
Personal, Food, and Miscellaneous Services 1.5%			
B-Dry, LLC Line of Credit, \$500 available (7.3% (0.8% Unused Fee), Due 12/2018) ^(L)	4,150	4,150	4,150
B-Dry, LLC Term Debt (1.5%, Due 12/2019) ^(b)	6,443	6,443	205
B-Dry, LLC Term Debt (1.5%, Due 12/2019) ^(b)	840	840	
		11,433	4,355

Total Secured First Lien Debt		\$ 119,890	\$ 108,613
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Secured Second Lien Debt 15.2%			
Automobile 1.3%			
Country Club Enterprises, LLC Term Debt (18.7%, Due 5/2017) ^(L)	\$ 4,000	\$ 4,000	\$ 4,000
Cargo Transport 4.4%			
Diligent Delivery Systems Term Debt (10.0%, Due 8/2020) ^(K)	13,000	13,000	13,292
Chemicals, Plastics, and Rubber 5.1%			
Mitchell Rubber Products, Inc. Term Debt (13.0%, Due 3/2018) ^{(I)(Q)}	13,560	13,560	15,230
Home and Office Furnishings, Housewares, and Durable Consumer Products 4.4%			
Ginsey Home Solutions, Inc. Term Debt (13.0%, Due 3/2018) ^{(H)(L)}	13,300	13,300	13,300
Total Secured Second Lien Debt		\$ 43,860	\$ 45,822

Preferred Equity 14.7%			
Automobile 1.7%			
Country Club Enterprises, LLC Preferred Stock ^{(C)(L)}	7,245,681	\$ 7,725	\$ 5,256
Country Club Enterprises, LLC Guaranty (\$2,000) ^(Y)			
		7,725	5,256

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Chemicals, Plastics, and Rubber 2.6%			
Drew Foam Companies, Inc. Preferred Stock ^{(C)(L)}	34,045	\$ 3,375	\$ 3,878
Mitchell Rubber Products, Inc. Preferred Stock ^{(C)(Q)}	27,900	2,790	3,903
		6,165	7,781
Containers, Packaging, and Glass 0.5%			
Frontier Packaging, Inc. Preferred Stock ^{(C)(L)}	1,373	1,373	1,401
Diversified/Conglomerate Services 6.2%			
Counsel Press, Inc. Preferred Stock ^{(C)(L)}	6,995	6,995	6,117
Nth Degree, Inc. Preferred Stock ^{(C)(L)}	5,660	5,660	12,471
		12,655	18,588
Farming and Agriculture 1.1%			
Jackrabbit, Inc. Preferred Stock ^{(C)(L)}	3,556	3,556	3,421
Star Seed, Inc. Preferred Stock ^{(C)(L)}	1,499	1,499	
		5,055	3,421
Home and Office Furnishings, Housewares, and Durable Consumer Products 2.4%			
Ginsey Home Solutions, Inc. Preferred Stock ^{(C)(L)}	19,280	9,583	7,176
Leisure, Amusement, Motion Pictures, and Entertainment 0.1%			
Schylling, Inc. Preferred Stock ^{(C)(L)}	4,000	4,000	262
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
SBS Industries, LLC Preferred Stock ^{(C)(L)}	19,935	1,994	
Oil and Gas 0.0%			
Tread Corporation Preferred Stock ^{(C)(L)}	12,998,639	3,768	
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
Funko Acquisition Holdings, LLC ^(M) Preferred Stock ^{(C)(L)}	260	167	257

Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock ^{(C)(L)}	2,500		2,516
Total Preferred Equity		\$ 55,001	\$ 44,142
Common Equity 8.2%			
Cargo Transport 0.9%			
Diligent Delivery Systems Common Stock Warrant ^{(C)(L)}	8%	\$ 500	\$ 2,598
Chemicals, Plastics, and Rubber 3.8%			
Drew Foam Companies, Inc. Common Stock ^{(C)(L)}	5,372	63	11,451
Mitchell Rubber Products, Inc. Common Stock ^{(C)(Q)}	27,900	28	28
		91	11,479
Containers, Packaging, and Glass 2.4%			
Frontier Packaging, Inc. Common Stock ^{(C)(L)}	152	152	7,364
Farming and Agriculture 0.0%			
Jackrabbit, Inc. Common Stock ^{(C)(L)}	548	94	
Star Seed, Inc. Common Stock ^{(C)(L)}	600	1	
		95	
Home and Office Furnishings, Housewares, and Durable Consumer Products 0.0%			
Ginsey Home Solutions, Inc. Common Stock ^{(C)(L)}	63,747	8	
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 0.0%			
Mathey Investments, Inc. Common Stock ^{(C)(L)}	29,102	777	
SBS Industries, LLC Common Stock ^{(C)(L)}	221,500	222	
		999	

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Oil and Gas 0.0%			
Tread Corporation Common Stock ^{(C)(L)}	10,089,048	\$ 753	\$
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.0%			
Funko Acquisition Holdings, LLC ^(M) Common Stock ^{(C)(L)}	975		
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Common Stock ^{(C)(L)}	2,500	300	
Utilities 1.1%			
AquaVenture Holdings Limited Common Stock ^{(C)(S)(U)}	201,586	3,397	3,433
Total Common Equity		\$ 6,295	\$ 24,874
Total Non-Control/Non-Affiliate Investments		\$ 225,046	\$ 223,451
AFFILIATE INVESTMENTS^(O) 87.1%			
Secured First Lien Debt 51.4%			
Automobile 2.9%			
Meridian Rack & Pinion, Inc. ^(M) Term Debt (13.5%, Due 12/2018) ^(K)	\$ 9,660	\$ 9,660	\$ 8,646
Beverage, Food, and Tobacco 3.0%			
Head Country, Inc. Term Debt (12.5%, Due 2/2019) ^(H)	9,050	9,050	9,050
Chemicals, Plastics, and Rubber 5.0%			
GI Plastek, Inc. Term Debt (13.3%, Due 7/2020) ^(Y)	15,000	15,000	15,000
Diversified/Conglomerate Manufacturing 9.7%			
Alloy Die Casting Co. ^(M) Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	12,215	12,215	9,772
	175	175	140

Alloy Die Casting Co. ^(M) Term Debt (13.5%, Due 10/2018) ^{(G)(K)}			
Alloy Die Casting Co. ^(M) Term Debt (Due 10/2018) ^{(K)(R)}	910	910	732
D.P.M.S., Inc. Term Debt (10.0%, Due 10/2021) ^(L)	8,796	8,796	7,175
Edge Adhesives Holdings, Inc. ^(M) Term Debt (12.5%, Due 2/2019) ^(K)	9,300	9,300	9,207
Edge Adhesives Holdings, Inc. ^(M) Term Debt (13.8%, Due 2/2019) ^(K)	2,400	2,400	2,388
		33,796	29,414
Diversified/Conglomerate Services 8.0%			
JR Hobbs Co. Atlanta, LLC Line of Credit, \$1,050 available (10.0% (1.0% Unused Fee), Due 2/2018) ^(T)	2,950	2,950	2,950
JR Hobbs Co. Atlanta, LLC Term Debt (13.0%, Due 2/2022) ^(T)	21,000	21,000	21,000
		23,950	23,950
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.0%			
Brunswick Bowling Products, Inc. Term Debt (16.3%, Due 5/2020) ^(L)	11,307	11,307	11,307
Old World Christmas, Inc. Term Debt (13.3%, Due 10/2019) ^(L)	15,770	15,770	15,770
		27,077	27,077
Leisure, Amusement, Motion Pictures, and Entertainment 6.1%			
SOG Specialty Knives & Tools, LLC Term Debt (13.3%, Due 10/2017) ^(L)	6,200	6,200	6,200
SOG Specialty Knives & Tools, LLC Term Debt (14.8%, Due 10/2017) ^(L)	12,200	12,200	12,200
		18,400	18,400
Telecommunications 4.6%			
B+T Group Acquisition, Inc. ^(M) Term Debt (13.0%, Due 12/2019) ^(L)	14,000	14,000	14,000
Textiles and Leather 3.1%			
Logo Sportswear, Inc. Term Debt (12.5%, Due 3/2020) ^(L)	9,200	9,200	9,200
Total Secured First Lien Debt		\$ 160,133	\$ 154,737

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Secured Second Lien Debt 14.7%			
Diversified/Conglomerate Manufacturing 3.2%			
Precision Southeast, Inc. Term Debt (14.0%, Due 9/2020) ^(K)	\$ 9,618	\$ 9,618	\$ 9,618
Home and Office Furnishings, Housewares, and Durable Consumer Products 5.3%			
Cambridge Sound Management, Inc. Term Debt (13.0%, Due 8/2021) ^(L)	16,000	16,000	16,000
Personal and Non-Durable Consumer Products (Manufacturing Only) 6.2%			
The Mountain Corporation Term Debt (13.5%, Due 8/2021) ^(K)	18,600	18,600	18,600
Total Secured Second Lien Debt		\$ 44,218	\$ 44,218
Preferred Equity 21.0%			
Automobile 1.0%			
Meridian Rack & Pinion, Inc. ^(M) Preferred Stock ^{(C)(L)}	3,381	\$ 3,381	\$ 2,890
Beverage, Food, and Tobacco 1.9%			
Head Country, Inc. Preferred Stock ^{(C)(L)}	4,000	4,000	5,752
Cargo Transport 0.0%			
NDLI, Inc. Preferred Stock ^{(C)(L)}	3,600	3,600	
Chemicals, Plastics, and Rubber 1.9%			
GI Plastek, Inc. Preferred Stock ^{(C)(L)}	5,150	5,150	5,754
Diversified/Conglomerate Manufacturing 0.4%			
Alloy Die Casting Co. ^(M) Preferred Stock ^{(C)(L)}	4,904	4,904	
Channel Technologies Group, LLC Preferred Stock ^{(C)(L)}	2,279	1,841	
Edge Adhesives Holdings, Inc. ^(M) Preferred Stock ^{(C)(L)}	3,774	3,774	1,271
Precision Southeast, Inc. Preferred Stock ^{(C)(L)}	37,391	3,739	
		14,258	1,271

Diversified/Conglomerate Services 2.0%			
JR Hobbs Co. Atlanta, LLC Preferred Stock ^{(K)(T)}	5,920	5,920	5,920
Home and Office Furnishings, Housewares, and Durable Consumer Products 9.8%			
Brunswick Bowling Products, Inc. Preferred Stock ^{(C)(L)}	4,943	4,943	11,329
Cambridge Sound Management, Inc. Preferred Stock ^{(C)(L)}	4,500	4,500	11,046
Old World Christmas, Inc. Preferred Stock ^{(C)(L)}	6,180	6,180	7,135
		15,623	29,510
Leisure, Amusement, Motion Pictures, and Entertainment 0.2%			
SOG Specialty Knives & Tools, LLC Preferred Stock ^{(C)(L)}	9,749	9,749	711
Personal and Non-Durable Consumer Products (Manufacturing Only) 0.1%			
The Mountain Corporation Preferred Stock ^{(C)(L)}	6,899	6,899	153
Telecommunications 0.0%			
B+T Group Acquisition, Inc. ^(M) Preferred Stock ^{(C)(L)}	12,841	4,196	
Textiles and Leather 3.7%			
Logo Sportswear, Inc. Preferred Stock ^{(C)(L)}	1,550	1,550	11,170
Total Preferred Equity		\$ 74,326	\$ 63,131
Common Equity 0.0%			
Cargo Transport 0.0%			
NDLI, Inc. Common Stock ^{(C)(L)}	545	\$	\$

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

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

Galaxy Tool Holding Corporation	Common Stock ^{(C)(L)}	88,843	\$	48	\$
Total Control Investments			\$	21,312	\$ 16,042
TOTAL INVESTMENTS^(W) 166.6%			\$	525,169	\$ 501,579

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

- (A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$448.0 million at fair value, are pledged as collateral to our revolving line of credit, as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2017, our investment in AquaVenture Holdings Limited (AquaVenture) is considered a non-qualifying asset under Section 55 of the 1940 Act and represents 0.7% of total investments, at fair value.
- (B) Interest rate percentages represent the cash interest rates in effect at March 31, 2017, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate, which was 1.0% as of March 31, 2017. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.
- (C) Security is non-income producing.
- (D) Category percentages represent the fair value of each category and subcategory as a percentage of net assets as of March 31, 2017.
- (E) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (F) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017.
- (I) Debt security has a fixed interest rate.
- (J) Represents the principal balance for debt investments and the number of shares/units held for equity investments. Warrants are represented as a percentage of ownership, as applicable.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.

- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Debt security does not have a stated current interest rate.
- (S) Fair value was based on the closing market price of our shares as of the reporting date less a discount for lack of marketability.
- (T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended March 31, 2017 best represents fair value as of March 31, 2017.
- (U) As of March 31, 2017, our investment in AquaVenture was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (V) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.
- (W) Cumulative gross unrealized depreciation for federal income tax purposes is \$77.9 million; cumulative gross unrealized appreciation for federal income tax purposes is \$58.3 million. Cumulative net unrealized depreciation is \$19.5 million, based on a tax cost of \$521.1 million.

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

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GLADSTONE INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

(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: (i) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time, and (ii) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses, generally in combination with the aforementioned debt securities, that we believe can grow over time to permit us to sell our equity investments for capital gains. We intend that our investment portfolio over time will consist of approximately 75.0% in debt investments and 25.0% in equity investments, at cost.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Statements and Basis of Presentation

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of SEC Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. In accordance with Article 6 of Regulation S-X, under the Securities Act of 1933, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three and six months ended September 30, 2017 are not necessarily indicative of results that ultimately may be achieved for the fiscal year ending March 31, 2018 or any future interim period. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended March 31, 2017, as filed with the SEC on May 15, 2017.

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Use of Estimates

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

Reclassifications

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

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the trade date. Realized gains or losses are generally measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Unrealized appreciation or depreciation primarily reflects the change in investment fair values, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Board Responsibility

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

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

Use of Third Party Valuation Firms

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

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

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

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Valuation Techniques

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

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

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

Yield Analysis The Valuation Team generally determines the fair value of our debt investments (where we do not have the ability to effectuate a sale of a portfolio company) using the yield analysis, which includes a DCF calculation and the assumptions that the Valuation Team believes market participants would use, including, but not limited to, estimated remaining life, current market yield, current leverage, and interest rate spreads. This technique develops a modified discount rate that incorporates risk premiums including, among other things, increased probability of default, increased loss upon default and increased liquidity risk. Generally, the Valuation Team uses the yield analysis to corroborate both estimates of value provided by SPSE and market quotes.

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

validate that price in accordance with the Policy. For securities that are publicly traded, we generally base fair value on the closing market price of our shares as of the reporting date. For restricted securities that are publicly traded, we generally base fair value on the closing market price of our shares as of the reporting date less a discount for the restriction, which includes consideration of the nature and term to expiration of the restriction.

Investments in Funds For equity investments in other funds, where we cannot effectuate a sale, the Valuation Team generally determi