GLADSTONE INVESTMENT CORPORATION\DE
Form 497
May 08, 2015
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Filed Pursuant to Rule 497
File No. 333-181879

PROSPECTUS SUPPLEMENT

(to Prospectus dated September 4, 2014)

$35,000,000

6.50% Series C Cumulative Term Preferred Stock Due 2022

Liquidation Preference $25 Per Share

We are offering 1,400,000 shares of our 6.50% Series C Cumulative Term Preferred Stock due 2022 (Series C Term Preferred Stock). We will pay monthly dividends on the Series C Term Preferred Stock at an annual rate of 6.50% of the $25 liquidation preference per share, or $1.625 per share of Series C Term Preferred Stock per year, on the last business day of each month, commencing on June 30, 2015.

We are required to redeem all of the outstanding Series C Term Preferred Stock on May 31, 2022, at a redemption price equal to $25 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. We will also be required to redeem all of the outstanding Series C Term Preferred Stock at a redemption price equal to $25 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption in the event of certain events that constitute a Change of Control (as described in this prospectus supplement). If we fail to maintain Asset Coverage of at least 200% (as described in this prospectus supplement), we will redeem a sufficient number of shares of our 7.125% Series A Cumulative Term Preferred Stock (Series A Term Preferred Stock) (traded on the NASDAQ Global Select Market (NASDAQ) under the symbol GAINP), 6.75% Series B Cumulative Term Preferred Stock (Series B Term Preferred Stock) (traded on the NASDAQ under the symbol GAINO), Series C Term Preferred Stock and any other outstanding shares of preferred stock issued by us (collectively, the Preferred Stock) in an amount at least equal to the lesser of (1) the minimum number of shares of Preferred Stock necessary to cause us to meet our required Asset Coverage and (2) the maximum number of shares of Preferred Stock that we can redeem out of cash legally available for such redemption. At any time on or after May 31, 2018, at our sole option, we may redeem the Series C Term Preferred Stock at a redemption price of $25 per share, plus an amount equal to any accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series C Term Preferred Stock on May 31, 2022 without the prior unanimous consent of the holders of Series C Term Preferred

Stock.

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

We have applied to have the Series C Term Preferred Stock listed on the NASDAQ under the symbol GAINN. Our common stock is traded on the NASDAQ under the symbol GAIN, our Series A Term Preferred Stock is traded on the NASDAQ under the symbol GAINP and our Series B Term Preferred Stock is traded on the NASDAQ under the symbol GAINO. On May 4, 2015, the last sale price of our common stock, Series A Term Preferred Stock and Series B Term Preferred Stock as reported on NASDAQ was $7.66 per share, $25.92 per share and $25.70 per share, respectively. The Series C Term Preferred Stock has no trading history and will not be convertible into our common stock or any other security of our company.

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

Investing in the Series C Term Preferred Stock involves a high degree of risk, including, among other things, the risk of leverage and risks relating to investments in securities of small, private and developing businesses. You could lose some or all of your investment. You should carefully consider each of the factors described under Risk Factors beginning on page S-11 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before you invest in the Series C Term Preferred Stock.

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

	PER SHARE	TOTAL[(2)]
Public offering price	$ 25.00	$ 35,000,000
Underwriting discounts and commissions	$ 0.875	$ 1,225,000
Proceeds, before expenses, to us[(1)]	$ 24.125	$ 33,775,000

(1)

Total expenses of the offering payable by us, excluding underwriting discounts and commissions, are estimated to be $235,000.

(2) We have granted the underwriters a 30-day option to purchase up to an additional $5,250,000 of shares of Series C Term Preferred Stock from us on the same terms and conditions set forth above solely to cover overallotments, if any. If such option is exercised in full, the total public offering price will be $40,250,000, the total underwriting discounts and commissions will be $1,408,750 and total proceeds, before expenses, to us would be $38,841,250. See Underwriting on page S-69 of this prospectus supplement.

The underwriters expect to deliver the Series C Term Preferred Stock on or about May 12, 2015.

Sole Book-Running Manager

Janney Montgomery Scott

Co-Lead Managers

J.J.B. Hilliard, W.L. Lyons, LLC	**Wunderlich**	**William Blair**	**Ladenburg Thalmann**

Co-Manager

Maxim Group LLC

Prospectus Supplement dated May 6, 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may inspect such reports, proxy statements and other information, as well as this prospectus supplement, the accompanying prospectus and the exhibits and schedules to the registration statement of which the accompanying prospectus is a part, at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the operation of the public reference facilities by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC s website is http://www.sec.gov. You may also obtain copies of such material from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

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

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

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

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the Series C Term Preferred Stock in any jurisdiction where such an offer or sale is not permitted. The information appearing in this prospectus supplement and in the accompanying prospectus is accurate only as of the dates on their respective covers, regardless of the time of delivery or any sale of the Series C Term Preferred Stock.

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PROSPECTUS SUPPLEMENT SUMMARY

This is only a summary. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Company s Certificate of Designation of 6.50% Series C Cumulative Term Preferred Stock of Gladstone Investment Corporation, or the Certificate of Designation, the form of which is attached as Appendix A to this prospectus supplement, and especially the information set forth under the headings Risk Factors prior to making an investment in the Series C Term Preferred Stock. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the Company, we, us or our refers to Gladstone Investment Corporation; Adviser refers to Gladstone Management Corporation; Administrator refers to Gladstone Administration, LLC; and Gladstone Companies refers to our Adviser and its affiliated companies. Capitalized terms used but not defined in this prospectus supplement or accompanying prospectus have the meanings given to such terms in the Certificate of Designation. Unless otherwise stated, the information in this prospectus supplement and the accompanying prospectus does not take into account the possible exercise by the underwriters of their overallotment option.

Gladstone Investment Corporation

Gladstone Investment Corporation is an externally managed specialty finance company that invests in subordinated loans, mezzanine debt, preferred stock and common stock as well as warrants to purchase common stock of small and medium-sized private U.S. companies in connection with buyouts and other recapitalizations. We focus our investments in lower middle market companies, which we define as companies with annual earnings before interest, taxes, depreciation and amortization, or EBITDA, of between $3.0 million and $15.0 million, in stable industries. When we invest in buyouts, we typically do so with the management team of the company being purchased and with other buyout funds. We also sometimes invest in senior secured loans, common stock and, to a much lesser extent, senior and subordinated syndicated loans. Our investment objective is to generate both current income and capital gains through these debt and equity instruments.

As of December 31, 2014, our portfolio consisted of investments in 32 companies in 14 states in 16 different industries with a fair value of $394.1 million, consisting of senior term debt, subordinated term debt, preferred equity and common equity. Our weighted average yield on our interest-bearing investments for the three and nine months ended December 31, 2014, excluding cash and cash equivalents and receipts recorded as other income, was 12.5% and 12.6%, respectively. For the fiscal years ended March 31, 2014 and 2013, our weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 12.6% and 12.5%, respectively. Since our initial public offering in June 2005, we have made 118 consecutive monthly distributions on our common stock, par value $0.001 per share, or Common Stock.

We operate as a closed-end, non-diversified management investment company and have elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

As of May 1, 2015, we had 30,270,958 shares of Common Stock outstanding, 1,600,000 shares of Series A Term Preferred Stock outstanding and 1,656,000 shares of Series B Term Preferred Stock outstanding. We are required to redeem all shares of Series A Term Preferred Stock on February 28, 2017 and all shares of Series B Term Preferred Stock on December 31, 2021.

Our principal executive offices are located at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22102, and our telephone number is (703) 287-5800. Our corporate website is located at http://www.GladstoneInvestment.com.

Information on, or accessible through, our website is not incorporated into or a part of this prospectus supplement or the accompanying prospectus.

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Investment Strategy

We seek 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 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 over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from $5.0 million to $30.0 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment mix over time will consist of approximately 80.0% in debt securities and 20.0% in equity securities. However, as of December 31, 2014, our investment mix was approximately 73.0% in debt securities and 27.0% in equity securities, at cost. We may change our investment objectives without the approval of our stockholders.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the London Interbank Offered Rate (LIBOR)) and, to a lesser extent, at fixed rates. We seek debt instruments that pay interest monthly or, at a minimum, quarterly, have a success fee or deferred interest provision and are primarily interest only with all principal and any accrued but unpaid interest due at maturity. Generally, success fees accrue at a set rate and are contractually due upon a change of control of the business. Some debt securities have deferred interest whereby some portion of the interest payment is added to the principal balance so that the interest is paid, together with the principal, at maturity. This form of deferred interest is often called paid-in-kind (PIK).

Typically, our equity investments consist of common stock, preferred stock, limited liability company interests, or warrants or options to purchase the foregoing. Often, these equity investments occur in connection with our original investment, buyouts and recapitalizations of a business, or refinancing existing debt.

We expect that our target portfolio over time will primarily include the following four categories of investments in private companies in the United States (U.S.):

Senior Debt Securities: We seek to invest a portion of our assets in senior debt securities, also known as senior loans, senior term loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses senior debt to cover a substantial portion of the funding needs of the business. The senior debt security usually takes the form of first priority liens on the assets of the business. Senior debt securities may include our participation and investment in the syndicated loan market, although we have none in our investment portfolio at this time.

Senior Subordinated Debt Securities: We seek to invest a portion of our assets in senior subordinated debt securities, also known as senior subordinated loans and senior subordinated notes. These senior subordinated debts also include second lien notes and may include participation and investment in syndicated second lien loans. Additionally, we may receive other yield enhancements, such as success fees, in connection with these senior subordinated debt securities.

Junior Subordinated Debt Securities: We seek to invest a portion of our assets in junior subordinated debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These junior subordinated debts include second lien notes and unsecured loans. Additionally, we may receive other yield enhancements and warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

Preferred and Common Equity/Equivalents: We seek to invest a portion of our assets in equity securities which consist of preferred and common equity or limited liability company or partnership interests, or warrants or options to acquire such securities, and are generally in combination with our debt investment in a business. Additionally, we may receive equity investments derived from

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restructurings on some of our existing debt investments. In many cases, we will own a significant portion of the equity which may include having voting control of the businesses in which we invest.

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as high yield securities or junk bonds and may be considered high risk, as compared to investment-grade debt instruments. In addition, many of our debt securities we hold typically do not amortize prior to maturity.

Our Investment Adviser and Administrator

Gladstone Management Corporation, the Adviser, is our affiliate and investment adviser. The Adviser is led by a management team that has extensive experience in our lines of business. All of our executive officers currently serve as either directors or executive officers, or both, of the Adviser and the Administrator. In addition, all of our executive officers and directors, with the exception of Mr. Dullum, serve as executive officers or directors of other companies affiliated with us and advised by the Adviser (Gladstone Capital Corporation (NASDAQ: GLAD), Gladstone Commercial Corporation (NASDAQ: GOOD) and Gladstone Land Corporation (NASDAQ: LAND)). The Administrator, another of our affiliates, employs our chief financial officer and treasurer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. Our chief financial officer and treasurer is also the chief accounting officer of the Adviser and the chief financial officer and treasurer of Gladstone Capital Corporation, or Gladstone Capital. David Gladstone, our chairman and chief executive officer, also serves on the board of managers of our affiliate, Gladstone Securities, LLC, a privately-held broker-dealer registered with the Financial Industry Regulatory Authority, and insured by the Securities Investor Protection Corporation.

The Adviser and Administrator also provide investment advisory and administrative services, respectively, to our affiliated funds, some of which may co-invest with us on certain portfolio investments. In the future, the Adviser and the Administrator may provide investment advisory and administrative services, respectively, to other funds, both public and private.

We are externally managed by the Adviser pursuant to an investment advisory and management agreement with the Adviser, which we refer to as the Advisory Agreement. The Adviser was organized as a Delaware corporation in 2002 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. Since June 22, 2005, we have been externally managed by our Adviser, which is headquartered in McLean, Virginia, a suburb of Washington D.C., and also has offices in California, Illinois and New York. At a meeting of our Board of Directors held on July 15, 2014, our board of directors, or the Board of Directors, unanimously voted to approve the extension of the term of the Advisory Agreement through August 31, 2015. In reaching a decision to approve the Advisory Agreement, the Board of Directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;

- our investment performance and that of the Adviser;

the costs of the services to be provided and profits to be realized by the Adviser from the relationship with us;

the fee structures of comparable externally managed business development companies that engage in similar investing activities; and

various other matters.

During the fiscal years ended March 31, 2014 and 2013, we incurred total fees of approximately $7.9 million and $6.7 million, respectively, to the Adviser under the Advisory Agreement. Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not interested persons as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as well as an administration agreement, or the Administration Agreement, with the Administrator, as being in the best interests of our stockholders. Additionally, during the fiscal years ended March 31, 2014 and 2013, we incurred total fees of approximately $0.9 million and $0.8 million, respectively, to the Administrator under the Administration Agreement.

Recent Developments

Preliminary Estimates of Results for the Year Ended March 31, 2015

Set forth below are certain preliminary estimates of our financial condition and results of operations for the year ended March 31, 2015. These estimates are subject to the completion of our financial closing procedures and are not a comprehensive statement of our financial results for the year ended March 31, 2015. We advise you that our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the year ended March 31, 2015 are finalized.

Net investment income per weighted average share of common stock outstanding is estimated to have totaled between $0.72 and $0.77 for the year ended March 31, 2015.

Net asset value per share of common stock outstanding as of March 31, 2015 is estimated to be between $9.11 and $9.21.

We intend to announce final results of operations for the three months and year ended March 31, 2015 on May 20, 2015 after the close of the financial markets.

The preliminary financial data included herein have been prepared by, and is the responsibility of, management. PricewaterhouseCoopers LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Management

On April 16, 2015, the Board of Directors appointed Julia Ryan as the Company s chief accounting officer. Prior to joining the Company, Ms. Ryan served as a Senior Manager Assurance Services at KPMG LLP, where she worked from 2004 to 2015. In this role, she primarily provided services to public companies in the asset management and real estate industries.

On January 9, 2015, David Watson resigned as the Company s chief financial officer and treasurer. On January 13, 2015, our Board of Directors accepted Mr. Watson s resignation and appointed Melissa Morrison, Gladstone Capital s chief financial officer and treasurer, as the Company s chief financial officer and treasurer.

Common Stock Offering

In March 2015, we completed a public offering of 3.3 million shares of our Common Stock at a public offering price of $7.40 per share, which was below then current NAV of $8.55 per share. Gross proceeds totaled approximately $24.4 million and net proceeds, after deducting underwriting discounts and offering expenses

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borne by us, were approximately $23.0 million, which were primarily used to repay borrowings under the revolving credit facility, or the Credit Facility, that our wholly owned subsidiary Gladstone Business Investment, LLC, or Business Investment, has entered into with Key Equipment Finance, Inc., or Key Equipment, as administrative agent, lead arranger and a lender, the other lenders from time to time party thereto and the Adviser, as servicer. In connection with the offering, in April 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price to cover over-allotments, which resulted in additional gross proceeds of approximately $3.7 million and net proceeds, after deducting underwriting discounts, of approximately $3.5 million. Aggregate gross proceeds for the 3,795,000 shares were approximately $28.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $26.4 million.

Distribution Payments

On January 13, 2015, our Board authorized and declared distributions of $0.06 per share of Common Stock for each of January, February and March, 2015, payable to stockholders of record as of January 23, 2015, February 18, 2015 and March 20, 2015, respectively, which will be paid in cash on February 3, 2015, February 27, 2015 and March 31, 2015, respectively. On the same date, our Board also authorized and declared distributions of $0.1484375 per share of Series A Term Preferred Stock and $0.140625 per share of Series B Term Preferred Stock to stockholders of record as of January 23, 2015, February 18, 2015 and March 20, 2015 which will be paid in cash on February 3, 2015, February 27, 2105 and March 31, 2015, respectively.

On April 14, 2015, our Board authorized and declared distributions of $0.0625 per share of Common Stock for each of April, May and June, 2015, payable to stockholders of record as of April 24, 2015, May 19, 2015 and June 19, 2015, respectively, which will be paid in cash on May 5, 2015, May 29, 2015 and June 30, 2015, respectively. On the same date, our Board also authorized and declared distributions of $0.1484375 per share of Series A Term Preferred Stock and $0.140625 per share of Series B Term Preferred Stock for each of April, May and June 2015 to stockholders of record as of April 24, 2015, May 19, 2015 and June 19, 2015 which will be paid in cash on May 5, 2015, May 29, 2015 and June 30, 2015, respectively.

Investment Activity

In March 2015, we invested $10.8 million in Logo Sportswear, Inc. (Logo) through a combination of debt and equity. Logo, headquartered in Cheshire, Connecticut, is an online provider of user-customized uniforms and apparel for teams, leagues, schools, businesses and organizations.

In March 2015, we invested $32.0 million in Counsel Press, Inc. (Counsel Press) through a combination of debt and equity. Counsel Press, headquartered in New York, New York, provides expert assistance in preparing, filing, and serving appeals in state and federal appellate courts nationwide and several international tribunals.

In March 2015, we made a follow-on investment of $5.8 million through a combination of debt and equity in Precision Southeast, Inc., one of our existing portfolio companies.

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THE OFFERING

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

Issuer	Gladstone Investment Corporation
Securities Offered	1,400,000 shares of Series C Term Preferred Stock, or 1,610,000 shares if the underwriters exercise their overallotment option in full.
Listing	We have applied to list the Series C Term Preferred Stock on the NASDAQ under the symbol GAINN. Trading on the Series C Term Preferred Stock is expected to begin within 30 days after the date of initial delivery of the Series C Term Preferred Stock. Prior to the expected commencement of trading on the NASDAQ, the underwriters may make a market in the Series C Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice.
Liquidation Preference	$25 per share, plus accumulated but unpaid dividends, if any. In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series C Term Preferred Stock will be entitled to receive a liquidation distribution equal to $25 per share (which we refer to in this prospectus supplement as the Liquidation Preference), plus an amount equal to all accumulated but unpaid dividends and distributions, if any, to, but excluding, the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest on any such distribution or payment. See Description of the Series C Term Preferred Stock Liquidation Rights.
Dividends	The Series C Term Preferred Stock will pay a monthly dividend at a fixed annual rate of 6.50% of the Liquidation Preference, or $1.625 per share per year, which we refer to as the Fixed Dividend Rate. The Fixed Dividend Rate is subject to adjustment under certain circumstances, but will not in any case be lower than $1.625 per share per year.
	Cumulative cash dividends or distributions on each Series C Term Preferred Share will be payable monthly, when, as and if declared by our Board of Directors or a duly authorized committee of our Board of Directors out of funds legally available for such payment. The first

	dividend period for the Series C Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering, which we refer to as the Date of Original Issue, and will end on June 30, 2015.
Ranking	The shares of Series C Term Preferred Stock are senior securities that constitute capital stock of the Company.

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The Series C Term Preferred Stock ranks:

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

We may issue additional shares of Preferred Stock, but we may not issue additional classes of capital stock that rank senior to the Series A Term Preferred Stock, Series B Term Preferred Stock or Series C Term Preferred Stock as to priority of payment of dividends and as to distribution of assets upon dissolution, liquidation or winding-up of our affairs. We may, however, borrow funds from banks and other lenders so long as the ratio of (1) the value of total assets less the total borrowed amounts to (2) the sum of all senior securities representing indebtedness and the number of shares of outstanding Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock multiplied by $25 per share is not less than 2 to 1.

Mandatory Term Redemption

We are required to redeem all outstanding Series C Term Preferred Stock on May 31, 2022, or the Mandatory Term Redemption Date, at a redemption price equal to the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series C Term Preferred Stock pursuant to the mandatory redemption required on May 31, 2022, or in any other circumstance in which we are required to redeem the Series C Term Preferred Stock, then the Fixed Dividend Rate will increase by four percent (4.00%) for so long as such failure continues. See Description of the Series C Term Preferred Stock Redemption and Voting Rights.

Mandatory Redemption for Asset Coverage

If we fail to maintain Asset Coverage (as defined below) of at least 200% as of the close of business on the last calendar day on which the NASDAQ is open for trading, or a Business Day, of any calendar quarter, and such failure is not cured by the close of business on the date that is 30 calendar days following the filing date of our Form 10-Q or Form 10-K, as applicable, for that respective calendar quarter, which is the three-month period ending March 31, June 30, September 30 and December 31 of each year (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Preferred Stock equal to the lesser of (1) the minimum number of shares of Preferred Stock that will result in our having Asset Coverage of at least 200% and (2) the maximum number of shares of Preferred Stock that can be redeemed out of funds legally available for such redemption, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having Asset Coverage of up to and including 215%. The Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock, and other series of Preferred Stock. If shares of Series C Term Preferred Stock are to be redeemed in such an event, they will be redeemed at a redemption price equal to the Liquidation Preference, plus accumulated but unpaid dividends, if any, on such shares (whether or not declared, but excluding interest on accumulated but unpaid dividends, if any) to, but excluding, the date fixed for such redemption.

Asset Coverage for purposes of our Preferred Stock is calculated under Section 18(h) of the 1940 Act, as in effect on the date of the Certificate of Designation, and is determined on the basis of values calculated as of a time within 48 hours (only including Business Days) preceding each determination. We estimate that, on the Date of Original Issue, our Asset Coverage, based on the composition and value of our portfolio as of December 31, 2014, and after giving effect to (1) the issuance of the Series C Term Preferred Stock offered in this offering, (2) the issuance of 3,795,000 shares of Common Stock in March and April of 2015 pursuant to an underwritten public offering and (3) the payment of underwriting discounts and commissions of $1.2 million and estimated related offering costs payable by us of approximately $235,000, would have been 219.0%. Our net investment income coverage, which is calculated by dividing our net investment income by the amount of distributions to holders of our Common Stock, averaged approximately 102.7% for the twelve months ended March 31, 2014 and approximately 95.4% for the nine months ended December 31, 2014. Net investment income coverage has varied each year since our inception, and there is no assurance that historical coverage levels will be maintained. See Description of the Series C Term Preferred Stock Asset Coverage.

Optional Redemption

At any time on or after May 31, 2018, at our sole option, we may redeem the Series C Term Preferred Stock in whole or from time to time, in part, out of funds legally available for such redemption, at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. See Description of the Series C Term Preferred Stock Redemption Optional Redemption. See Description of the Series C

Term Preferred Stock Redemption.

Change of Control Redemption	If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series C Term Preferred Stock, we will be required to redeem all of the outstanding Series C Term Preferred Stock at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. For the definition of Change of Control Triggering Event and additional information concerning the redemption of the Series C Term Preferred Stock in connection with such events, see Description of the Series C Term Preferred Stock Redemption Change of Control.
Voting Rights	Except as otherwise provided in our Amended and Restated Certificate of Incorporation or as otherwise required by law, (1) each holder of Preferred Stock (including the Series C Term Preferred Stock) will be entitled to one vote for each share of Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Preferred Stock and Common Stock will vote together as a single class; provided, that holders of Preferred Stock, voting separately as a class, will be entitled to elect two of our directors and, if we fail to pay dividends on any outstanding shares of Preferred Stock in an amount equal to two full years of dividends and continuing until such failure is corrected, will be entitled to elect a majority of our directors. Preferred Stock holders will also vote separately as a class on any matter that materially and adversely affects any preference, right or power of holders of Preferred Stock. See Description of the Series C Term Preferred Stock Voting Rights.
Conversion Rights	The Series C Term Preferred Stock will have no conversion rights.
Use of Proceeds	We intend to use the net proceeds from this offering of approximately $33.5 million (after the payment of underwriting discounts and commissions of $1.2 million and estimated offering expenses payable by us of approximately $235,000) to repay borrowings under the Credit Facility, to fund investments in accordance with our investment strategy and for other general corporate purposes. See Use of Proceeds.
U.S. Federal Income Taxes	Prospective investors are urged to consult their own tax advisors regarding the tax considerations relevant to holders of the Series C Term Preferred Stock in light of their personal investment circumstances.
	We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not

expect to be subject to U.S. federal income tax.

The dividends on the Series C Term Preferred Stock generally will not qualify for the dividends received deduction or for taxation as qualified dividend income.

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Risk Factors	Investing in the Series C Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections entitled Risk Factors beginning on page S-11 of this prospectus supplement and page 12 of the accompanying prospectus before deciding whether to invest in our Series C Term Preferred Stock.
Information Rights	During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and any shares of Series C Term Preferred Stock are outstanding, we will provide holders of Series C Term Preferred Stock, without cost, copies of annual reports and quarterly reports substantially similar to the reports on Form 10-K and Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.
Redemption and Paying Agent	We have entered into an amendment to our Transfer Agency and Service Agreement with Computershare, Inc., or Computershare, which we refer to as the Redemption and Paying Agent in this prospectus supplement. Under this amendment, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series C Term Preferred Stock.

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RISK FACTORS

You should carefully consider the risks described below, and the risks described in Risk Factors beginning on page 12 of the accompanying prospectus, before deciding to invest in the Series C Term Preferred Stock. The risks and uncertainties described below and in the accompanying prospectus are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance and the value of the Series C Term Preferred Stock. If any of the following risks or the risks described in the accompanying prospectus actually occur, our business, financial condition or results of operations could be materially adversely affected, and the value of the Series C Term Preferred Stock may be impaired. If that happens, the trading price of the Series C Term Preferred Stock could decline, and you may lose all or part of your investment.

Risks of Investing in Preferred Stock

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

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

There may be no initial secondary trading market due to delayed listing, and even after listing a liquid secondary trading market may not develop.

During a period of up to 30 days from the date of this prospectus supplement, the Series C Term Preferred Stock will not be listed on any securities exchange. During this period, the underwriters may make a market in the Series C Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice. Consequently, an investment in the Series C Term Preferred Stock during this period may be illiquid, and holders of such shares may not be able to sell them during that period as it is unlikely that an active secondary market for the Series C Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series C Term Preferred Stock may be able to sell such shares only at substantial discounts from the Liquidation Preference. We cannot accurately predict the trading patterns of the Series C Term Preferred Stock, including the effective costs of trading the stock. There is also a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features.

The Series C Term Preferred Stock will not be rated.

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

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

We may voluntarily redeem some or all of the Series C Term Preferred Stock on or after May 31, 2018, which is four years before the Mandatory Term Redemption Date. We also may be forced to redeem some or all of the

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

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

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

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

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

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

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

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

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

Holders of Series C Term Preferred Stock will bear dividend risk.

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

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We face Asset Coverage risks in our investment activities.

The Asset Coverage that we maintain on our Preferred Stock, including the Series C Term Preferred Stock, is based upon a calculation of the value of our portfolio holdings. Our portfolio investments are, and we expect a large percentage of such investments will continue to be, in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded is generally not readily determinable. Our Board of Directors reviews valuation recommendations that are provided by professionals of the Adviser and Administrator with oversight and direction from the chief valuation officer, employed by the Administrator (the Valuation Team). There is no single standard for determining fair value (especially for privately-held businesses), as fair value depends upon the specific facts and circumstances of each individual investment. In determining the fair value of our investments, the Valuation Team, led by the chief valuation officer, uses an established investment valuation policy, or the Policy, which has been approved by our Board of Directors, and each quarter our Board of Directors reviews the Policy to determine if changes thereto are advisable and also reviews whether the Valuation Team has applied the Policy consistently.We may engage other independent valuation firms to provide earnings multiple ranges, as well as other information, and evaluate such information for incorporation into the total enterprise value, or TEV, of certain of our investments. Generally, at least once per year, we engage an independent valuation firm to value or review our valuation of our significant equity investments, which includes providing the information noted above. The Valuation Team evaluates such information for incorporation into our TEV, including review of all inputs provided by the independent valuation firm. The Valuation Team then makes a recommendation to our Board of Directors as to the fair value. Our Board of Directors reviews the recommended fair value and whether it is reasonable in light of the Policy and other relevant facts and circumstances and then votes to accept or reject the Valuation Team s recommended fair value.

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

Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or SPSE, or determined using TEV, or the discounted cash flow, or DCF, methodology. As a result, a risk exists that the Asset Coverage attributable to the Preferred Stock, including the Series C Term Preferred Stock, may be materially lower than what is calculated based upon the fair valuation of our portfolio securities in accordance with our valuation policies. See Risk Factors Risks Related to Our Investments Because the loans we make and equity securities we receive when we make loans are not publicly traded, there is uncertainty regarding the value of our privately held securities that could adversely affect our determination of our NAV on page 22 of the accompanying prospectus.

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

We generally make investments in private companies whose securities are not traded in any public market. Substantially all of the investments we presently hold and the investments we expect to acquire in the future are, and will be, subject to legal and other restrictions on resale and will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to obtain cash equal to the value at which we record our investments quickly if a need arises. If we are unable to obtain sufficient liquidity prior to the Mandatory Term

Redemption Date or a Change of Control Triggering Event, we may be forced to engage in a partial redemption or to delay a required redemption. If such a partial redemption or delay were to occur, the market price of the Series C Term Preferred Stock might be adversely affected.

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

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

	ASSUMED RETURN ON OUR PORTFOLIO (NET OF EXPENSES)				
	(10)%	**(5)%**	**0%**	**5%**	**10%**
Corresponding return to common stockholder[(1)]	-22.97%	-13.86%	-4.76%	4.35%	13.45%

(1) The hypothetical return to common stockholders is calculated by multiplying our total assets as of December 31, 2014, by the assumed rates of return and subtracting all interest on our debt and dividends on our Preferred Stock and Series C Term Preferred Stock to be issued in this offering (and assuming proceeds are used as described under Use of Proceeds) expected to be paid or declared during the twelve months following this offering; and then dividing the resulting difference by our total net assets attributable to Common Stock as of December 31, 2014. Based on $412.0 million in total assets, $95.8 million in debt outstanding at cost, $5.1 million in a secured borrowing, $40.0 million in aggregate liquidation preference of Series A Term Preferred Stock, $41.4 million in aggregate liquidation preference of Series B Term Preferred Stock and $226.3 million in net assets, each as outstanding as of December 31, 2014, and adjusted for the $35.0 million in aggregate liquidation preference of Series C Term Preferred Stock to be issued in this offering (and assuming proceeds are used as described under Use of Proceeds).

Based on an outstanding indebtedness of $95.8 million as of December 31, 2014, and the effective annual interest rate of 4.01% as of that date, aggregate liquidation preference of our Series A Term Preferred Stock of $40.0 million, and aggregate liquidation preference of our Series B Term Preferred Stock of $41.4 million, our investment portfolio at fair value would have been required to experience an annual return of at least 2.46% to cover annual interest payments on our outstanding debt and the Series A and Series B Preferred Stock.

Other Risks

There are material limitations with making preliminary estimates of our financial results for the year ended March 31, 2015 prior to the completion of our and our auditors financial review procedures for such period.

The preliminary financial estimates contained on page S-4 are not a comprehensive statement of our financial results for the year ended March 31, 2015 and have not been audited by our independent registered public accounting firm. Our consolidated financial statements for the year ended March 31, 2015 will not be available until after this offering is completed and, consequently, will not be available to you prior to investing in this offering. Our actual financial results for the year ended March 31, 2015 may differ materially from the preliminary financial estimates we have provided as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the year ended March 31, 2015 are finalized. The preliminary financial data included herein have been prepared by, and are the responsibility of, management. PricewaterhouseCoopers LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to such preliminary estimates. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

In addition to regulatory limitations on our ability to raise capital, the Credit Facility contains various covenants that, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. In addition, we are obligated to redeem our Series A Term Preferred Stock in February 2017 and to redeem our Series B Term Preferred Stock in December 2021. If we do not have sufficient funds to redeem the Series A Term Preferred Stock or the Series B Term Preferred Stock, or if we do not have

sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

We will have a continuing need for capital to finance our loans. We are party to a credit facility, which provides us with a revolving credit line facility of $185.0 million, of which $111.6 million was drawn as of May 1, 2015. The Credit Facility permits us to fund additional loans and investments as long as we are within the conditions set forth in the credit agreement and is currently scheduled to mature in June 2019. As a result of the Credit Facility, we are subject to certain limitations on the type of loan investments we make, including restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment frequency and status, and average life. The Credit Facility also requires us to comply with other financial and operational covenants, which require us to, among other things, maintain certain financial ratios, including asset and interest coverage, and a minimum net worth. As of May 1, 2015, we were in compliance with these covenants; however, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Current market conditions have forced us to write down the value of a portion of our assets as required by the 1940 Act and fair value accounting rules. These are not realized losses, but constitute adjustment in asset values for purposes of financial reporting and for collateral value for the Credit Facility. As assets are marked down in value, the amount we can borrow on the Credit Facility decreases.

In particular, depreciation in the valuation of our assets, which valuation is subject to changing market conditions that remain very volatile, affects our ability to comply with the covenants under the Credit Facility. As of December 31, 2014, our net assets were $226.3 million, up from $224.8 million at September 30, 2014, and up from $220.8 million at March 31, 2014. The increase in our net assets is primarily a result of unrealized appreciation over the respective periods. The minimum net worth covenant contained in the credit agreement requires our net assets to be at least $170.0 million plus 50% of all equity and subordinated debt raised after June 26, 2014 minus 50% of all equity and subordinated debt retired or redeemed after June 26, 2014, which equates to $170.0 million as of December 31, 2014. Despite the recent increase in our net assets, the fair value of our investment portfolio remains less than the cost basis by approximately $63.2 million. Given the slow recovery and general volatility in the capital markets, the cumulative unrealized depreciation in our portfolio may increase in future periods and threaten our ability to comply with the minimum net worth covenant and other covenants under the Credit Facility. Accordingly, there are no assurances that we will continue to comply with these covenants. Under the Credit Facility, we are also required to maintain our status as a BDC under the 1940 Act and as a RIC under the Code. Our failure to satisfy these covenants could result in foreclosure by our lenders, which would accelerate our repayment obligations under the facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders.

We are required to redeem all outstanding Series A Term Preferred Stock on February 28, 2017, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series A Term Preferred Stock pursuant to the mandatory redemption required on February 28, 2017, or in any other circumstance in which we are required to redeem the Series A Term Preferred Stock, then the fixed dividend rate of the Series A Term Preferred Stock will increase to an annual rate of 11% for so long as such failure continues. If we do not have sufficient funds to redeem the Series A Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

In addition, we are required to redeem all outstanding Series B Term Preferred Stock on December 31, 2021, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series B Term Preferred Stock pursuant to the mandatory redemption required on December 31, 2021, or in any other circumstance in which we are required to redeem the Series B Term Preferred Stock, then the fixed dividend rate of the Series B Term Preferred Stock will increase to an annual rate of 10.75% for so long as such failure continues. If we do not have sufficient funds to redeem the Series B Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

Our amount of senior securities outstanding will increase as a result of this offering, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.

As of May 1, 2015, we had $40.0 million outstanding of Series A Term Preferred Stock, $41.4 million outstanding of Series B Preferred Stock and $111.6 million of borrowings outstanding under the Credit Facility. We intend to use the proceeds from this offering to repay borrowings under the Credit Facility, to fund investments in accordance with our investment strategy and for other general corporate purposes. Shares of our Preferred Stock are considered senior securities and our amount of senior securities outstanding will therefore increase as a result of this offering.

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

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

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

While shares of Series C Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Section 18, as modified by Section 61, of the 1940 Act, ranking on parity with the Series C Term Preferred Stock as to payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series C Term Preferred Stock, including additional series of Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage of at least 200.0%.

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

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

In addition, we may issue debt securities, other evidences of indebtedness (including borrowings under the Credit Facility), senior securities representing indebtedness and senior securities that are stock up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities that are stock (such as our Preferred Stock), in amounts such that our asset coverage, as defined in Section 18(h) of the 1940 Act, is at least 200% immediately after each issuance of such senior security. The issuance of additional senior securities in this offering may increase the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, especially while our Series A Term Preferred Stock and Series B Term Preferred Stock remain outstanding. Our ability to pay distributions, issue senior securities or repurchase shares of our Common Stock would be restricted if the asset coverage on each of our senior securities is not at least 200%. If the aggregate value of our assets declines, we might be unable to satisfy that 200% requirement. To satisfy the 200% asset coverage requirement in the event that we are seeking to pay a distribution, we might either have to (i) liquidate a portion of our loan portfolio to repay a portion of our indebtedness or (ii) issue Common Stock. This may occur at a time when a sale of a portfolio asset may be disadvantageous, or when we have limited access to capital markets on agreeable terms. In addition, any amounts that we use to service our indebtedness or for offering expenses will not be available for distributions to stockholders. Furthermore, if we have to issue Common Stock at below net asset value (NAV) per common share, as we have in October 2012 and in March 2015 for two separate follow-on common offerings, any non-participating common stockholders will be subject to dilution.

Pending legislation may allow us to incur additional leverage.

As a BDC, we are generally not permitted to incur indebtedness (which includes senior securities representing indebtedness and senior securities that are stock) unless immediately after such borrowing we have an asset coverage (as defined in Section 18(h) of the 1940 Act) of at least 200.0% (i.e. the amount of borrowings may not exceed 50.0% of the value of our assets). Various pieces of legislation that have been reintroduced?? during the current session of the U.S. House of Representatives, if passed, would modify this section of the 1940 Act and increase the amount of such indebtedness that BDCs may incur by modifying the percentage from 200.0% to 150.0% and making the asset coverage requirement inapplicable for senior securities that are stock, such as preferred stock. Our Preferred Stock is currently considered a senior security that is stock and so for this 200.0% asset coverage threshold is included as total indebtedness. However, if this proposed legislation is passed, the 1940 Act may not limit our ability to issue Preferred Stock in the future. As a result, we may be able to issue an increased amount of senior securities and incur additional indebtedness in the future, and therefore, your risk of an investment in us may increase. There can be no assurance whether or not this proposed legislation will be passed in the current form, or at all.

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

In the course of investing in and often providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser sometimes serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, even if meritless, we or such employees may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources. We may be unable to accurately estimate our

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exposure to litigation risk if we record balance sheet reserves for probable loss contingencies. As a result, any reserves we establish to cover any settlements or judgments may not be sufficient to cover our actual financial exposure, which may have a material impact on our results of operations or financial condition.

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

For example, a former portfolio company, Noble Logistics, Inc., or Noble, is a defendant in employment law wage and hour and independent contractor misclassification claims in a purported class action seeking monetary damages, Maximo v. Aspen Contracting California LLC d/b/a/ Noble Logistics, et al., or Maximo. Noble is a debtor in a bankruptcy case under Chapter 11 of the federal bankruptcy code, pending in federal bankruptcy court in Delaware. The claims against Noble asserted in the Maximo case have been stayed by the filing of Noble s bankruptcy case. A lawsuit brought by plaintiffs Clarence and Sheila Walder against a customer of Noble is also pending in California based on similar facts relating to Noble and claims under California law. The Maximo and Walder plaintiffs have attempted to bring claims against the Company and other former investors in Noble based primarily on allegations that the Company and other investors controlled Noble and were responsible for the misclassification of Noble s workforce. To date, claims against the Company have been struck by the bankruptcy court or voluntarily dismissed by the plaintiffs in connection with the automatic stay arising in connection with the Noble bankruptcy. While neither the Company nor any of its portfolio companies (other than Noble) are currently defendants in these cases, they may in the future be subject to claims by these plaintiffs or other persons alleging similar claims, or may expend funds on behalf of Noble to defend claims.

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

The recent volatility of oil and natural gas prices could impair certain of our portfolio companies operations and ability to satisfy obligations to their respective lenders and investors, including us, which could negatively impact our financial condition.

Many of our portfolio companies businesses are heavily dependent upon the prices of, and demand for, oil and natural gas, which have recently declined significantly and such volatility could continue or increase in the future. A substantial or extended decline in oil and natural gas demand or prices may adversely affect the business, financial condition, cash flow, liquidity or results of operations of these portfolio companies and might impair their ability to meet capital expenditure obligations and financial commitments. A prolonged or continued decline in oil prices could therefore have a material adverse effect on our business, financial condition and results of operations.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this prospectus supplement or the accompanying prospectus, other than historical facts, may constitute forward-looking statements. These statements may relate to future events or our future performance or financial condition. In some cases, you can identify forward-looking statements by terminology such as may, might, believe, will, provided, anticipate, future, could, growth, plan, intend, expect, should, would, potential, likely or the negative of such terms or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include:

- further adverse changes in the economy and the capital markets;
- risks associated with negotiation and consummation of pending and future transactions;
- the loss of one or more of our executive officers, in particular David Gladstone, David A. R. Dullum or Terry Lee Brubaker;
- changes in our business strategy;
- availability, terms and deployment of capital;
- changes in our industry, interest rates or exchange rates or the general economy;
- the business prospectus of our portfolio companies;
- the degree and nature of our competition;
- our ability to maintain our qualification as a RIC and as a BDC;
- our ability to defend successfully claims and litigation against us; and
- those factors described in the Risk Factors sections of this prospectus supplement and the accompanying prospectus.

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

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USE OF PROCEEDS

We estimate that the net proceeds to us of this offering will be approximately $33.5 million, after the payment of underwriting discounts and commissions of $1.2 million and estimated offering expenses of $235,000 payable by us. We intend to use the net proceeds from this offering to repay borrowings outstanding under the Credit Facility, to fund investments in accordance with our investment strategy and for other general corporate purposes. As of May 1, 2015, we had $111.6 million of borrowings outstanding under the Credit Facility. Indebtedness under the Credit Facility currently accrues interest at the rate of approximately 3.5%. The revolving period ends in June 2017 and outstanding balances under the Credit Facility are due and payable in June 2019.

We have granted the underwriters the right to purchase up to 210,000 additional shares of Series C Term Preferred Stock at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement solely to cover overallotments, if any. If the underwriters exercise such option in full, the estimated net proceeds to us, after the payment of underwriting discounts and commissions of $1.4 million and estimated offering expenses of $235,000 payable by us, will be $38.6 million. We anticipate that substantially all of the net proceeds of this offering will be utilized in the manner described above within three months of the completion of such offering. Pending such utilization, we intend to invest the net proceeds of the offering primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, consistent with the requirements for continued qualification as a RIC for federal income tax purposes.

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RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

	FOR THE NINE MONTHS ENDED DECEMBER 31,	FOR THE YEARS ENDED MARCH 31,				
	2014	2014	2013	2012	2011	2010
	(Dollars in thousands)					
Net investment income	$ 14,902	$ 19,307	$ 16,488	$ 13,743	$ 16,171	$ 10,598
Add: fixed charges and preferred dividends	5,950	5,949	4,768	1,425	1,181	3,602
Less: preferred dividends	(2,510)	(2,850)	(2,850)	(198)		
Earnings	$ 18,342	$ 22,406	$ 18,406	$ 14,970	$ 17,352	$ 14,200
Fixed charges and preferred dividends:						
Interest expense	$ 2,500	$ 2,075	$ 1,127	$ 768	$ 690	$ 1,984
Amortization of deferred financing fees	940	1,024	791	459	491	1,618
Preferred dividends	2,510	2,850	2,850	198		
Total fixed charges and preferred dividends	$ 5,950	$ 5,949	$ 4,768	$ 1,425	$ 1,181	$ 3,602
Ratio of earnings to combined fixed charges and preferred dividends	3.1x	3.8x	3.9x	10.5x	14.7x	3.9x

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

	FOR THE NINE MONTHS ENDED DECEMBER 31, 2014	FOR THE YEAR ENDED MARCH 31, 2014
Net investment income	$ 14,902	$ 19,307
Add: fixed charges and preferred dividends[(A)], as above	5,950	5,949
Less: preferred dividends[(A)], as above	(2,510)	(2,850)
Adjustments:		
Pro forma decrease of interest expense and amortization of deferred financing fees[(B)]	(850)	(1,435)
Pro forma fixed charges	2,590	1,664
Pro forma preferred dividends[(C)]	4,216	5,125
Total pro forma fixed charges and preferred dividends[(C)]	6,806	6,789
Pro forma earnings	$ 17,492	$ 20,971
Pro forma ratio of earnings to combined fixed charges and preferred dividends[(C)]	2.6x	3.1x

(A) Preferred dividends on Series A Term Preferred Stock and Series B Term Preferred Stock.

(B) Pro forma decrease in interest expense is limited as the weighted average balance on our revolving line of credit was $74.4 million and $34.6 million for the nine months ended December 31, 2014 and the fiscal year ended March 31, 2014, respectively. The pro forma decrease in interest expense is adjusted to reflect the increase in amortization of deferred financing fees related to this offering. Pro forma numbers do not take into account the Company s offering of common stock in March and April of 2015.

(C) Preferred dividends on Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock.

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2014:

on an actual basis;

on a pro forma basis to give effect to the issuance and sale of 3,795,000 shares of Common Stock pursuant to a public offering in March and April 2015 and the application of a portion of the proceeds from the offering to repay borrowings under the Credit Facility; and

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

	AS OF DECEMBER 31, 2014		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(Unaudited) (Dollars in thousands)		
Borrowings, at cost			
Borrowings under line of credit[(1)]	$ 95,800	$ 71,800	$ 38,260
Secured borrowings	5,096	5,096	5,096
Total borrowings	100,896	76,896	43,356
Preferred Stock			
Series A Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 1,610,000 shares authorized, 1,600,000 issued and outstanding, actual, pro forma and pro forma as adjusted	$ 40,000	$ 40,000	$ 40,000
Series B Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 2,000,000 shares authorized, 1,656,000 shares issued and outstanding, actual, pro forma and pro forma as adjusted	41,400	41,400	41,400
Series C Term Preferred Stock, $.001 par value per share; $25 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 0 shares authorized, issued and outstanding, pro forma, 1,700,000 shares authorized 1,400,000 shares issued and outstanding, pro forma as adjusted[(2)]			35,000
Net Assets Applicable to Common Stockholders			

Common stock, $.001 par value per share, 100,000,000 shares authorized, actual, and as adjusted; 26,475,958 shares issued and outstanding, actual and 30,270,958 shares issued and outstanding, pro forma and pro forma as adjusted[3]	$ 26	$ 30	$ 30
Capital in excess of par value	286,726	313,166	313,166
Cumulative net unrealized depreciation of investments	(63,220)	(63,220)	(63,220)
Cumulative net unrealized depreciation of other	(74)	(74)	(74)
Net investment income in excess of distributions	3,233	3,233	3,233
Accumulated net realized losses	(419)	(419)	(419)
Total Net Assets Available to Common Stockholders	$ 226,272	$ 252,716	$ 252,716
Total Capitalization	**$ 408,568**	**$ 411,012**	**$ 412,472**

(1) As of May 1, 2015, prior to closing the offering of the Series C Term Preferred Stock, the outstanding balance on the Credit Facility was $111.6 million. The net draws during the period from January 1, 2015 through May 1, 2015, are not included in the as adjusted balance outstanding on the Credit Facility.

(2) Assumes a total of $1.2 million of aggregate underwriting discounts and commissions and $235,000 of estimated offering costs payable by us in connection with this offering will be capitalized and amortized over the life of the Series C Term Preferred Stock.

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

The following are our outstanding classes of securities as of December 31, 2014.

TITLE OF CLASS	AMOUNT AUTHORIZED	AMOUNT HELD BY US OR FOR OUR ACCOUNT	AMOUNT OUTSTANDING (EXCLUSIVE OF AMOUNTS HELD BY US OR FOR OUR ACCOUNT)
Common Stock	100,000,000		26,475,958
Series A Term Preferred Stock	1,610,000		1,600,000
Series B Term Preferred Stock	2,000,000		1,656,000

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SELECTED FINANCIAL INFORMATION

The following consolidated selected financial data for the fiscal years ended March 31, 2014, 2013, 2012, 2011 and 2010 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm. The consolidated selected financial data for the nine months ended December 31, 2014 and 2013 are derived from our unaudited condensed consolidated financial statements included in this prospectus supplement. The other unaudited data included at the bottom of the table are also unaudited. The data should be read in conjunction with our consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and the accompanying prospectus.

	Nine Months Ended December 31,		Year Ended March 31,				
	2014	2013	2014	2013	2012	2011	2010
	(Dollar amounts in thousands, except per share data)						
Statement of operations data:							
Total investment income	$ 30,470	$ 27,453	$ 36,264	$ 30,538	$ 21,242	$ 26,064	$ 20,785
Total expenses net of credits from Adviser	15,568	12,790	16,957	14,050	7,499	9,893	10,187
Net investment income	14,902	14,663	19,307	16,488	13,743	16,171	10,598
Net gain (loss) on investments	6,154	(16,929)	(20,636)	791	8,223	268	(21,669)
Net increase (decrease) in net assets resulting from operations	$ 21,056	$ (2,266)	$ (1,329)	$ 17,279	$ 21,966	$ 16,439	$ (11,071)
Per share data(A) :							
Net increase (decrease) in net assets resulting from operations per common share basic and diluted	$ 0.80	$ (0.09)	$ (0.05)	$ 0.71	$ 0.99	$ 0.74	$ (0.50)
Net investment income before net gain (loss) on	0.56	0.55	0.73	0.68	0.62	0.73	0.48

investments per common share basic and diluted							
Cash distributions declared per common share	0.59	0.53	0.71	0.60	0.61	0.48	0.48
<u>Statement of assets and liabilities data:</u>							
Total assets	$ 412,036	$ 347,095	$ 330,694	$ 379,803	$ 325,297	$ 241,109	$ 297,161
Net assets	226,272	224,665	220,837	240,963	207,216	198,829	192,978
Net asset value per common share	8.55	8.49	8.34	9.10	9.38	9.00	8.74
Common shares outstanding	26,475,958	26,475,958	26,475,958	26,475,958	22,080,133	22,080,133	22,080,133
Weighted common shares outstanding basic and diluted	26,475,958	26,475,958	26,475,958	24,189,148	22,080,133	22,080,133	22,080,133
<u>Senior securities data[(B)] :</u>							
Borrowings under credit facility at cost	$ 95,800	$ 36,200	$ 61,250	$ 31,000	$	$	$ 27,800
Short term loan	5,096	13,501		58,016	76,005	40,000	75,000
Mandatorily redeemable preferred stock	81,400	40,000	40,000	40,000	40,000		
Asset coverage[(C)]	221%	336%	298%	272%	268%	534%	281%
Asset coverage per unit[(D)]	$ 2,207	$ 3,360	$ 2,978	$ 2,725	$ 2,676	$ 5,344	$ 2,814
<u>Other unaudited data:</u>							
Number of portfolio companies	32	26	29	21	17	17	16
Average size of portfolio company investment at cost	$ 14,293	$ 13,849	$ 13,225	$ 15,544	$ 15,670	$ 11,600	$ 14,223
Principal amount of new investments	67,202	96,848	132,291	87,607	91,298	43,634	4,788
Proceeds from loan repayments	5,358	78,236	83,415	28,424	27,185	97,491	90,240

and investments sold							
Weighted average yield on investments(E)	12.6%	12.6%	12.6%	12.5%	12.3%	11.4%	11.0%
Total return(F)	(8.3)	18.5	24.3	4.7	5.6	38.6	79.8

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(A) Per share data for net (decrease) increase in net assets resulting from operations is based on the weighted average common stock outstanding for both basic and diluted.

(B) See Management s Discussion and Analysis of Financial Condition and Results of Operations for more information regarding our level of indebtedness.

(C) As a BDC, we are generally required to maintain asset coverage (as defined in Section 18(h) of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. Our Preferred Stock is a senior security that is stock.

(D) Asset coverage per unit is the asset coverage expressed in terms of dollar amounts per one thousand dollars of indebtedness.

(E) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing debt investment balance throughout the year.

(F) Total return equals the increase (decrease) of the ending market value over the beginning market value plus monthly distributions divided by the monthly beginning market value.

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SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth certain quarterly financial information for each of the eight quarters in the two years ended March 31, 2014 and the first three quarters of the fiscal year ending March 31, 2015. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full fiscal year or for any future quarter.

	Quarter Ended		
Fiscal Year 2015	**June 30, 2014**	**September 30, 2014**	**December 31, 2014**
Total investment income	$ 9,837	$ 9,071	11,562
Net investment income	4,859	4,204	5,839
Net increase in net assets resulting from operations	10,770	2,697	7,589
Net increase in net assets resulting from operations per weighted average common share basic & diluted	$ 0.41	$ 0.10	0.29

	Quarter Ended			
Fiscal Year 2014	**June 30, 2013**	**September 30, 2013**	**December 31, 2013**	**March 31, 2014**
Total investment income	$ 7,398	$ 11,359	$ 8,696	$ 8,811
Net investment income	4,033	6,228	4,402	4,644
Net (decrease) increase in net assets resulting from operations	(6,519)	14,939	(10,686)	937
Net (decrease) increase in net assets resulting from operations per weighted average common share basic & diluted	$ (0.25)	$ 0.57	$ (0.40)	$ 0.03

	Quarter Ended			
Fiscal Year 2013	**June 30, 2012**	**September 30, 2012**	**December 31, 2012**	**March 31, 2013**
Total investment income	$ 5,905	$ 6,974	$ 7,184	$ 10,475
Net investment income	3,238	3,451	3,952	5,847
Net (decrease) increase in net assets resulting from operations	(3,017)	(353)	4,699	15,950
Net (decrease) increase in net assets resulting from operations per weighted average common share basic & diluted	$ (0.13)	$ (0.02)	$ 0.18	$ 0.60

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

General

We are an externally-managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. In addition, for US federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. As a BDC and a RIC, we are also subject to certain constraints, including limitations imposed by the 1940 Act and the Code.

We were incorporated under the General Corporation Law of the State of Delaware on February 18, 2005. We were established for the purpose of investing in debt and equity securities of established private businesses in the U.S. debt investments primarily come in the form of three types of loans: senior term loans, senior subordinated loans and junior subordinated debt. 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. To a much lesser extent, we also invest in senior and subordinated syndicated loans. We seek 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 stockholders that we anticipate will 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 hope will appreciate over time so that we can sell them for capital gains. We expect that our investment allocation over time will consist of approximately 80.0% in debt securities and 20.0% in equity securities. As of December 31, 2014, our investment allocation was 73.0% in debt securities and 27.0% in equity securities, at cost.

We focus on investing in small and medium-sized private U.S. businesses that meet certain of the following criteria which we believe will give us the best potential to sell our equity positions at a later date for capital gains: the potential for growth in cash flow, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, profitable operations based on the borrower s cash flow and reasonable capitalization of the borrower (usually by leveraged buyout funds or venture capital funds). We anticipate that liquidity in our equity position will be achieved through a merger or acquisition of the borrower, a public offering of the borrower s stock or by exercising our right to require the borrower to repurchase our warrants, though there can be no assurance that we will always have these rights. We lend to borrowers that need funds to finance growth, restructure their balance sheets or effect a change of control. We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity. If we are participating in an investment with one or more co-investors, our investment is likely to be smaller than if we were investing alone.

In July 2012, the SEC granted us an exemptive order that expanded our ability, under certain circumstances, to co-invest with Gladstone Capital and any future BDC or closed-end management investment company that is advised (or sub-advised if it controls the fund) by the Adviser or any combination of the foregoing subject to the conditions in the SEC s order. We believe this ability to co-invest has enhanced and will continue to enhance our ability to further our investment objectives and strategies. Pursuant to this exemptive order, we co-invested with Gladstone Capital in one new proprietary investment during the three months ended December 31, 2014, as discussed under *Investment Highlights*.

We are externally managed by the Adviser, an SEC registered investment adviser, and an affiliate of ours, pursuant to the Advisory Agreement. The Adviser manages our investment activities. We have also entered into the Administration Agreement with the Administrator, an affiliate of ours and the Adviser, whereby we pay separately for administrative services.

Our Common Stock, the Series A Term Preferred Stock and the Series B Term Preferred Stock are traded on NASDAQ under the symbols GAIN, GAINP and GAINO, respectively.

Business Environment

The strength of the global economy and the U.S. economy in particular, continues to be uncertain, although economic conditions generally appear to be improving, albeit slowly. The impacts from the 2008 recession in general, and the resulting disruptions in the capital markets in particular, have had lingering effects on our liquidity options and have increased our cost of debt and equity capital. Many of our portfolio companies, as well as those small and medium-sized companies that we evaluate for prospective investment, may remain vulnerable to the impacts of the uncertain economy. Concerns linger over the ability of the U.S. Congress to pass additional debt ceiling legislation prior to March 2015, given the budget impasse that resulted in the partial shutdown of the U.S. government in October 2013. Uncertain political, regulatory and economic conditions, including the current volatility of oil and gas demand and prices, could disproportionately impact some of the industries in which we have invested, causing us to be more vulnerable to losses in our portfolio, resulting in an increase in the number of our non-performing assets and a decrease in the fair market value of our portfolio.

We do not know if general economic conditions will continue to improve or if adverse conditions will recur and we do not know the full extent to which the inability of the U.S. government to address its fiscal condition in the near and long term will affect us. If market instability persists or intensifies, we may experience difficulty in successfully raising and investing capital. In summary, we believe we are in a prolonged economic recovery; however, we do not know the full extent to which the impact of the current economic conditions will affect us or our portfolio companies.

Portfolio Activity

While conditions remain challenging, we are seeing many new investment opportunities consistent with our investment strategy of providing a combination of debt and equity in support of management and sponsor-led buyouts of small and medium-sized companies in the U.S. During the three months ended December 31, 2014, we invested a total of $43.3 million in two new deals, resulting in a net expansion in our overall portfolio to 32 portfolio companies and an increase quarter over quarter of 13.6% in our portfolio at fair value. These new investments, along with our capital raising efforts discussed below, have allowed us to invest $375.3 million in 23 new debt and equity deals since October 2010.

During the three and nine months ended December 31, 2014, our new investments provided a weighted average current pay interest rate of 12.4% and 12.7%, a going in weighted average leverage of 5.0x and 4.7x, and a current weighted average life of 4.4 and 4.5 years, respectively, all based on the originating principal balances. For the three and nine months ended December 31, 2014, our new investments consisted of approximately 77.9% and 77.7% senior term loans and 22.1% and 22.3% equity investments, based on the originating principal balances, respectively.

These new investments, as well as the majority of our debt securities in our portfolio, have a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally do not recognize success fees as income until they are received in cash. Due to their contingent nature, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of such collections. As a result, as of December 31, 2014, we had unrecognized success fees of $23.5 million, or $0.89 per common share. Consistent with GAAP, we have not recognized our success fee receivable on our balance sheet or our income statement.

The improved investing environment has presented us with an opportunity to realize gains and other income from four management-supported buyout liquidity events since June 2010, and in the aggregate, we have generated $54.5

million in realized gains and $13.1 million in other income, for a total increase to our net assets of

$67.6 million. We believe each of these transactions was an equity-oriented investment success and exemplifies our investment strategy of striving to achieve returns through current income on the debt portion of our investments and capital gains from the equity portion. These successes, in part, enabled us to increase the monthly distribution 50.0% since March 2011, allowed us to declare and pay a $0.03 per common share one-time special distribution in fiscal year 2012, a $0.05 per common share one-time special distribution in November 2013, and a $0.05 per common share one-time special distribution in December 2014.

With the four liquidity events that resulted in realized gains since June 2010, we have nearly overcome our cumulative realized losses since inception that were primarily incurred during the recession and in connection with the sale of performing loans at a realized loss to pay off a former lender. We took the opportunity during the fiscal year ended March 31, 2014, to strategically sell our investments in two of our portfolio companies, ASH Holding Corp. (ASH) and Packerland Whey Products, Inc. (Packerland) to existing members of their management teams and other existing owners, respectively, which resulted in realized losses of $11.4 million and $1.8 million, respectively, as well as the write off our equity investments in Noble, which resulted in a realized loss of $3.4 million. These sales and write off, while at a realized loss, were accretive to our NAV in aggregate by $5.7 million, reduced our distribution requirements related to our realized gains and reduced the amount of our debt investments on non-accrual status.

Capital Raising Efforts

Despite the challenges that have existed in the economy for the past several years, we have been able to meet our capital needs through extensions and increases to the Credit Facility and by accessing the capital markets in the form of public offerings of stock. We have successfully extended the Credit Facility s revolving period multiple times, most recently to June 2017 and increased the commitment from $60.0 million to $185.0 million, and in November 2014, we issued approximately 1.7 million shares of our Series B Term Preferred Stock for gross proceeds of $41.4 million. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock*) for further discussion of our term preferred stock and *Liquidity and Capital Resources Revolving Credit Facility*) for further discussion of the Credit Facility.

Although we were able to access the capital markets during 2014, we believe market conditions continue to affect the trading price of our Common Stock and thus our ability to finance new investments through the issuance of equity. On May 4, 2015, the closing market price of our Common Stock was $7.66, which represented a 10.4% discount to our December 31, 2014 NAV per share of $8.55. When our stock trades below NAV, our ability to issue equity is constrained by provisions of the 1940 Act, which generally prohibit the issuance and sale of our Common Stock at an issuance price below the then current NAV per share without stockholder approval, other than through sales to our then-existing stockholders pursuant to a rights offering.

At our 2014 Annual Meeting of Stockholders held on August 7, 2014, our stockholders approved a proposal authorizing us to issue and sell shares of our Common Stock at a price below our then current NAV per share, subject to certain limitations, including that the number of shares issued and sold pursuant to such authority does not exceed 25.0% of our then outstanding Common Stock immediately prior to each such sale, provided that the Board of Directors makes certain determinations prior to any such sale. This August 2014 stockholder authorization is in effect for one year from the date of stockholder approval. We sought and obtained stockholder approval concerning a similar proposal at the Annual Meeting of Stockholders held in August 2012, and with our Board of Directors subsequent approval, we issued shares of our Common Stock in October and November 2012 at a price per share below the then current NAV per share. The resulting proceeds, in part, have allowed us to grow the portfolio by making new investments, generate additional income through these new investments, provide us additional equity capital to help ensure continued compliance with regulatory tests and increase our debt capital while still complying with our applicable debt-to-equity ratios. Refer to *Liquidity and Capital Resources Equity Common Stock* for further discussion of our Common Stock.

Regulatory Compliance

Our ability to seek external debt financing, to the extent that it is available under current market conditions, is further subject to the asset coverage limitations of the 1940 Act, which require us to have an asset coverage ratio (as defined in Section 18(h) of the 1940 Act), of at least 200.0% on our senior securities representing indebtedness and our senior securities that are stock, which we refer to collectively as Senior Securities. As of December 31, 2014, our asset coverage ratio was 220.7%. Our status as a RIC under Subchapter M of the Code, in addition to other requirements, also requires us, at the close of each quarter of the taxable year, to meet an asset diversification test, which requires that at least 50.0% of the value of our assets consists of cash, cash items, U.S. government securities or certain other qualified securities (the 50.0% threshold). In the past, we have obtained this ratio by entering into a short-term loan at quarter end to purchase qualifying assets; however, a short term loan was not necessary in or for the nine months ended December 31, 2014. If the composition of our assets is not above the required 50.0% threshold by the end of any calendar quarter, we may have to obtain short-term loans to satisfy the 50% threshold. When deployed, this strategy, while allowing us to satisfy the 50.0% threshold for our RIC status, limits our ability to use increased debt capital to make new investments, due to our asset coverage ratio limitations under the 1940 Act.

Investment Highlights

During the nine months ended December 31, 2014, we disbursed $67.2 million in new debt and equity investments and extended $12.1 million of investments to existing portfolio companies through revolver draws or additions to term notes. From our initial public offering in June 2005 through December 31, 2014, we have made 228 investments in 111 companies for a total of approximately $1.0 billion, before giving effect to principal repayments on investments and divestitures.

Investment Activity

During the nine months ended December 31, 2014, the following significant transactions occurred:

- In May 2014, NDLI Acquisition Inc. completed the purchase of certain of Noble s assets out of bankruptcy. The resulting entity was listed as a portfolio company under NDLI Inc. on our accompanying *Condensed Consolidated Schedules of Investments* beginning in the period ended June 30, 2014.

- In August 2014, we made a $1.8 million equity investment in Roanoke Industries Corp. (Roanoke), formerly known as Tread Real Estate Corp., which purchased the building owned by another one of our portfolio companies, Tread Corp. (Tread). This building has subsequently been leased back to Tread. The resulting entity was listed as a portfolio company under Roanoke on our accompanying *Condensed Consolidated Schedules of Investments* beginning in the period ended December 31, 2014.

- In September 2014, we invested $20.2 million in Cambridge Sound Management, Inc. (Cambridge) through a combination of debt and equity. Cambridge, based in Waltham, Massachusetts, is the developer of sound systems and solutions.

In October 2014, we invested $24.4 million in Old World Christmas, Inc. (Old World) through a combination of debt and equity. Old World, headquartered in Spokane, Washington, is a designer and distributor of an extensive collection of blown glass Christmas ornaments, table top figurines, vintage-style light covers and nostalgic greeting cards into the independent gift channel.

In December 2014, we invested $19.6 million in B+T Group Acquisition Inc. (B+T) through a combination of debt and equity. B+T, headquartered in Tulsa, Oklahoma, is a full-service provider of structural engineering, construction, and technical services to the wireless tower industry for tower upgrades and modifications. Gladstone Capital also participated as a co-investor by providing $8.4 million of debt and equity financing at the same price and terms as our investment.

In December 2014, B-Dry, LLC (B-Dry) was restructured, resulting in $2.0 million of senior term debt being converted into preferred equity.

In March 2015, we invested $11.4 million in Logo through a combination of senior term debt and equity. Logo, headquartered in Cheshire, Connecticut, is an online provider of user-customized uniforms and apparel for teams, leagues, schools, businesses and organizations.

Recent Developments

Executive Officers

On January 9, 2015, David Watson resigned as the Company s chief financial officer and treasurer. On January 13, 2015, our Board of Directors accepted Mr. Watson s resignation and appointed Melissa Morrison, Gladstone Capital s chief financial officer and treasurer, as the Company s chief financial officer and treasurer.

Management

On April 16, 2015, the Board of Directors appointed Julia Ryan as the Company s Chief Accounting Officer. Prior to joining the Company, Ms. Ryan served as a Senior Manager Assurance Services at KPMG LLP, where she worked from 2004 to 2015. In this role, she primarily provided services to public companies in the asset management and real estate industries.

Term Preferred Stock Offering

In November 2014, we completed a public offering of 1,656,000 shares of our Series B Term Preferred Stock at a public offering price of $25.00 per share. Gross proceeds totaled $41.4 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were $39.7 million. We incurred $1.7 million in total offering costs related to these transactions, which have been recorded as deferred financing costs on our accompanying *Condensed Consolidated Statements of Assets and Liabilities* and is being amortized over the period ending December 31, 2021, the mandatory redemption date. Refer to *Liquidity and Capital Resources Equity Term Preferred Stock* for further discussion of our term preferred stock.

Common Stock Offering

In March and April 2015, we completed a public offering of 3,795,000 shares of our Common Stock at a public offering price of $7.40 per share, which was below then current NAV of $8.55 per share. Gross proceeds totaled approximately $28.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately $26.4 million, which was used to repay borrowings under the Credit Facility.

Credit Facility Extension and Expansion

On June 26, 2014, we, through our wholly-owned subsidiary, Business Investment, entered into an amendment to the Credit Facility originally entered into on April 30, 2013, to extend the revolving period and reduce the interest rate of our revolving line of credit. The revolving period was extended 14 months to June 26, 2017. We incurred fees of $0.4 million in connection with this amendment, which are being amortized through the Credit Facility s revolver period end date of June 26, 2017.

On September 19, 2014, we further increased our borrowing capacity under the Credit Facility from $105.0 million to $185.0 million (with a total commitment up to $250.0 million through additional commitments of existing or new committed lenders) by entering into Joinder Agreements pursuant to the Credit Facility, by and among Business Investment, Key Equipment, the Adviser and each of East West Bank, Manufacturers and Traders Trust, Customers Bank and Talmer Bank and Trust. We incurred fees of $1.3 million in connection with this expansion, which are being amortized through the Credit Facility s revolver period end date of June 26, 2017. Refer to *Liquidity and Capital Resources Revolving Credit Facility* for further discussion of the Credit Facility.

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Registration Statement

On June 3, 2014, we filed Post-Effective Amendment No. 3 to the registration statement on Form N-2 (File No. 333-181879), and subsequently filed a Post-Effective Amendment No. 4 to the registration statement on September 2, 2014, which the SEC declared effective on September 4, 2014. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common or preferred stock, including through a combined offering of two or more of such securities. We currently have the ability to issue up to $197.5 million in securities under the registration statement.

Distribution Payments

On January 13, 2015, our Board authorized and declared distributions of $0.06 per share of Common Stock for each of January, February and March, 2015, payable to stockholders of record as of January 23, 2015, February 18, 2015 and March 20, 2015, respectively, which will be paid in cash on February 3, 2015, February 27, 2015 and March 31, 2015, respectively. On the same date, our Board also authorized and declared distributions of $0.1484375 per share of Series A Term Preferred Stock and $0.140625 per share of Series B Term Preferred Stock to stockholders of record as of January 23, 2015, February 18, 2015 and March 20, 2015 which will be paid in cash on February 3, 2015, February 27, 2105 and March 31, 2015, respectively.

On April 14, 2015, our Board authorized and declared distributions of $0.0625 per share of Common Stock for each of April, May and June, 2015, payable to stockholders of record as of April 24, 2015, May 19, 2015 and June 19, 2015, respectively, which will be paid in cash on May 5, 2015, May 29, 2015 and June 30, 2015, respectively. On the same date, our Board also authorized and declared distributions of $0.1484375 per share of Series A Term Preferred Stock and $0.140625 per share of Series B Term Preferred Stock for each of April, May and June 2015 to stockholders of record as of April 24, 2015, May 19, 2015 and June 19, 2015 which will be paid in cash on May 5, 2015, May 29, 2015 and June 30, 2015, respectively.

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RESULTS OF OPERATIONS

Comparison of the Three Months Ended December 31, 2014, to the Three Months Ended December 31, 2013

	For the Three Months Ended December 31,			
	2014	2013	**$ Change**	**% Change**
INVESTMENT INCOME				
Interest income	**$ 9,732**	$ 7,593	$ 2,139	28.2%
Other income	**1,830**	1,103	727	65.9
Total investment income	**11,562**	8,696	2,866	33.0
EXPENSES				
Base management fee	**1,927**	1,515	412	27.2
Incentive fee	**1,460**	1,100	360	32.7
Administration fee	**226**	239	(13)	(5.4)
Interest and dividend expense	**2,127**	1,108	1,019	92.0
Amortization of deferred financing costs	**404**	262	142	54.2
Other	**446**	852	(406)	(47.7)
Expenses before credits from Adviser	**6,590**	5,076	1,514	29.8
Credits to Adviser fees	**(867)**	(782)	85	10.9
Total expenses net of credits to fees	**5,723**	4,294	1,429	33.3
NET INVESTMENT INCOME	**5,839**	4,402	1,437	32.6
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized loss on investments	**(209)**	(13,115)	12,906	98.4
Net realized loss on other		(29)	29	100.0
Net unrealized appreciation (depreciation) of investments	**1,959**	(2,310)	4,269	NM
Net unrealized depreciation of other		366	(366)	(100.0)
Net realized and unrealized gain (loss)	**1,750**	(15,088)	16,838	NM
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	**$ 7,589**	$ (10,686)	$ 18,275	NM
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	**$ 0.22**	$ 0.17	$ 0.05	29.4%
Net increase (decrease) in net assets resulting from operations	**$ 0.29**	$ (0.40)	$ 0.69	172.5%

NM = Not Meaningful

Investment Income

Total investment income increased by 33.0% for the three months ended December 31, 2014, as compared to the prior year period. This increase was due to an increase in both other income and also interest income, which resulted from an increase in the size of our portfolio during the three months ended December 31, 2014.

Interest income from our investments in debt securities increased 28.2% for the three months ended December 31, 2014, as compared to the prior year period. The level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the three months ended December 31, 2014, was approximately $307.7 million, compared to approximately $237.5 million for the prior year period. This increase was primarily due to approximately $95.9 million in new investments originated after December 31, 2013, including Head Country Inc. (Head Country), Edge Adhesives Holdings, Inc. (Edge), Roanoke, Cambridge, Old World, and B+T.

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At December 31, 2014, loans of one portfolio company, Tread, were on non-accrual status, with an aggregate weighted average principal balance of $11.0 million during the three months ended December 31, 2014. Our loans to Tread on non-accrual status had an aggregate weighted average principal balance of $14.1 million during the three months ended December 31, 2013. The weighted average yield on our interest-bearing investments was 12.5% and 12.7% for the three months ended December 31, 2014 and 2013, excluding cash and cash equivalents and receipts recorded as other income, respectively. The weighted average yield varies from period to period, based on the current stated interest rate on interest-bearing investments.

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

	As of December 31, 2014		Three months ended December 31, 2014	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
SOG Specialty Knives and Tools, LLC	$ 24,940	6.4%	$ 1,170	10.1%
Old World Christmas, Inc.(A)	24,380	6.2	513	4.4
Acme Cryogenics, Inc.	22,942	5.8	426	3.7
Cambridge Sound Management, LLC(B)	22,556	5.7	511	4.5
Funko, LLC	19,011	4.8	249	2.2
Subtotal five largest investments	**113,829**	**28.9**	**2,869**	**24.9**
Other portfolio companies	280,316	71.1	8,693	75.1
Total investment portfolio	**$ 394,145**	**100.0%**	**$ 11,562**	**100.0%**

	As of December 31, 2013		Three months ended December 31, 2013	
Portfolio Company	**Fair Value**	**% of Portfolio**	**Investment Income**	**% of Total Investment Income**
Acme Cryogenics, Inc.	$ 27,719	9.5%	$ 426	4.9%
SOG Specialty Knives and Tools, LLC	27,271	9.4	670	7.7
Galaxy Tool Holding Corp.	19,743	6.8	535	6.2
Alloy Die Casting Corp.(A)	16,320	5.6	421	4.8
Schylling Investments, LLC	16,160	5.6	532	6.1
Subtotal five largest investments	**107,213**	**36.9**	**2,584**	**29.7**
Other portfolio companies	183,514	63.1	6,112	70.3
Total investment portfolio	**$ 290,727**	**100.0%**	**$ 8,696**	**100.0%**

(A) New investment during the applicable period.
(B) Investment added in September 2014.

Other income increased 65.9% from the prior year period. During the three months ended December 31, 2014, other income primarily consisted of $1.3 million of dividends received from Mathey Investments, Inc. (Mathey) and $0.5 million resulting from prepayments of success fees received from SOG Specialty Knives and Tools, LLC (SOG), respectively. During the three months ended December 31, 2013, other income primarily consisted of $0.2 million and $0.8 million in success fee income resulting from debt investment repayments received from Cavert II Holding Corp. (Cavert) and Channel Technologies Group, LLC (Channel), respectively.

Expenses

Total expenses, excluding any voluntary, irrevocable and non-contractual credits from the Adviser to the base management and incentive fees, increased 29.8% for the three months ended December 31, 2014, as compared to the prior year period, primarily due to an increase in the base management fee, interest and dividend expense, and incentive fee as compared to the prior year period. This was partially offset by a decrease in other expenses for the three months ended December 31, 2014, as compared to the prior year period.

The base management fee increased for the three months ended December 31, 2014, as compared to the prior year period, as a result of the increased size of our portfolio over the respective periods. An incentive fee of $1.5 million was earned by the Adviser during the three months ended December 31, 2014, compared to an incentive fee of $1.1 million for the prior year period. The base management fees, incentive fees, and their related unconditional and irrevocable voluntary credits are computed quarterly, as described under Investment Advisory and Management Agreement in Note 4 of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended December 31,	
	2014	**2013**
Average gross assets subject to base management fee(A)	**$ 385,400**	$ 303,000
Multiplied by prorated annual base management fee of 2.0%	**0.5%**	0.5%
Base management fee(B)	**1,927**	1,515
Other credits to Adviser fees(B)	**(867)**	(782)
Net base management fee	**$ 1,060**	$ 733
Incentive fee(B)	**$ 1,460**	$ 1,100

(A) Average gross assets subject to the base management fee is defined as total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, valued at the end of the applicable quarters within the respective periods and adjusted appropriately for any share issuances or repurchases during the periods.

(B) Reflected, on a gross basis, as a line item on our accompanying *Condensed Consolidated Statement of Operations*.

Interest and dividend expense increased 92.0% for the three months ended December 31, 2014, as compared to the prior year period, primarily due to increased average borrowings under the Credit Facility. The weighted average balance outstanding on the Credit Facility during the three months ended December 31, 2014, was $97.6 million, as compared to $19.5 million in the prior year period. The increase in average borrowings under the Credit Facility was partially offset by the decrease in interest rate due to an amendment of the Credit Facility that occurred in June 2014. The dividend expense also increased with the offering of our Series B Term Preferred Stock in November 2014. We paid distributions on the Series B Term Preferred Stock for the pro-rated month of November 2014 and the full month of December 2014, which distribution represented a $0.4 million increase from the prior year period, when the Series B Term Preferred Stock was not yet outstanding.

Other expenses decreased 47.7% for the three months ended December 31, 2014, as compared to the prior year period, primarily due to a decrease in the excise tax expense of $0.1 million and also a decrease in legal expenses, as compared to the prior year period.

Realized and Unrealized (Loss) Gain on Investments

Realized Loss

During the three months ended December 31, 2014, we recorded a realized loss on investments of $0.2 million relating to post-closing adjustments on previous investment exits. During the three months ended December 31, 2013, we recorded a net realized loss of $13.1 million related to the ASH and Packerland exits.

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Unrealized Appreciation (Depreciation)

During the three months ended December 31, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of $2.0 million.

The realized loss and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2014, were as follows:

	Three months ended December 31, 2014		
Portfolio Company	**Realized Loss**	**Unrealized Appreciation (Depreciation)**	**Net Gain (Loss)**
Funko, LLC	$	$ 3,648	