

GLADSTONE INVESTMENT CORPORATION\DE

Form 497

September 19, 2016

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting offers to buy these securities in any state where such offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 19, 2016

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated July 28, 2016)

Shares

Gladstone Investment Corporation

% Series D Cumulative Term Preferred Stock due 2023

(Liquidation Preference \$25 per Share)

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940. Generally, our investment objective is to generate current income by investing in debt securities of established businesses and provide our stockholders with long-term capital appreciation by investing in equity securities, generally in combination with the aforementioned debt securities.

We are offering _____ shares of our _____ % Series D Cumulative Term Preferred Stock due 2023, or the Series D Term Preferred Stock. We will pay monthly dividends on the Series D Term Preferred Stock at an annual rate of _____ % of the \$25 liquidation preference per share, or \$ _____ per share of Series D Term Preferred Stock per year, monthly, as declared by our Board of Directors, commencing on _____, 2016.

We are required to redeem all of the outstanding Series D Term Preferred Stock on _____, 2023, at a redemption price equal to \$25 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding,

the date of redemption. We will also be required to redeem Series D Term Preferred Stock at a redemption price equal to \$25 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption in the event of certain events that constitute a change of control of the company. If we fail to maintain an Asset Coverage ratio of at least 200%, 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 NASDAQ under the symbol GAINO), 6.50% Series C Cumulative Term Preferred Stock (Series C Term Preferred Stock) (traded on NASDAQ under the symbol GAINN), Series D Term Preferred Stock and any other series of 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 ratio and (2) the maximum number of Preferred Stock that we can redeem out of cash legally available for such redemption. At any time on or after _____, 2018, at our sole option, we may redeem the Series D Term Preferred Stock at a redemption price of \$25 per share of Series D Term Preferred Stock, plus any accumulated but unpaid dividends, if any, on the Series D Term Preferred Stock up to, but excluding, the date of redemption. We cannot effect any amendment, alteration or repeal of our obligation to redeem all of the Series D Term Preferred Stock on _____, 2023 or pay dividends at the stated rate without the prior unanimous consent of the holders of Series D Term Preferred Stock.

Each holder of our Series D 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 Term D Preferred Stock, Series A Term Preferred Stock, Series B Term Preferred Stock, Series C 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 D 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 D Term Preferred Stock listed on NASDAQ under the symbol GAINM. Our common stock is traded on NASDAQ under the symbol GAIN. On September 16, 2016, the last sale price of our common stock, Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock as reported on NASDAQ was \$8.77 per share, \$25.83 per share and \$25.75 per share and \$26.24 per share, respectively. The Series D Term Preferred Stock has no trading history and will not be convertible into our common stock or any other security of our company.

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This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Series D Term Preferred Stock, including information about risks. Please read it before you invest and retain it for future reference. Additional information about us, including our annual, quarterly and current reports, has been filed with the Securities and Exchange Commission, or the SEC, and can be accessed at its website at www.sec.gov. You may also request this and other information free of charge, or make other stockholder inquiries, by calling (866) 366-5745, from our website (www.GladstoneInvestment.com) or by writing us at 1521 Westbranch Drive, Suite 100, McLean, Virginia 22012. See Additional Information in the accompanying prospectus.

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 D 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-10 of this prospectus supplement and beginning on page 12 of the accompanying prospectus before you invest in the Series D Term Preferred Stock.

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

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	PER SHARE	TOTAL ⁽²⁾
Public offering price	\$	\$
Underwriting discounts and commissions (sales load)	\$	\$
Proceeds, before expenses, to us ⁽¹⁾	\$	\$

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

(2) We have granted the underwriters a 30-day option to purchase up to an additional \$ of Series D 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 \$, the total underwriting discounts and commissions will be \$ and total proceeds, before expenses, to us would be \$. See *Underwriting* on page S-55 of this prospectus supplement for additional information with respect to our arrangements with the underwriters, including stabilizing transactions and other transactions that affect the price of the Series D Term Preferred Stock.

The underwriters expect to deliver the Series D Term Preferred Stock on or about , 2016.

Sole Book-Running Manager

Janney Montgomery Scott

Co-Lead Managers

J.J.B. Hilliard, W.L. Lyons, LLC

**Ladenburg Thalmann
Co-Managers**

Wunderlich

**William Blair
Prospectus Supplement dated**

**Maxim Group LLC
, 2016**

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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 D Term Preferred Stock.

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

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus in making an investment decision. Neither we nor the underwriters have authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the Series D 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 D Term Preferred Stock.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information included in the prospectus supplement and the accompanying prospectus. You should review the more detailed information contained elsewhere in this prospectus supplement and in the accompanying prospectus, including the Company's Certificate of Designation of % Series D Cumulative Term Preferred Stock due 2023 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 heading Risk Factors prior to making an investment in the Series D 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 was organized under the laws of the State of Delaware on February 18, 2005. We are an externally managed specialty finance company that generally invests in secured first or second lien debt in combination with a direct equity investment in established U.S. businesses. Our investments are structured with the goal of producing a mix of assets to provide current income from our debt investments and capital gains from our equity investments at exit.

As of June 30, 2016, our portfolio consisted of investments in 36 portfolio companies located in 19 states across 17 different industries with an aggregate fair value of \$491.0 million, consisting of secured first lien term debt, secured second lien term debt, preferred equity and common equity. Our weighted average yield on our interest-bearing investments for the three months ended June 30, 2016, excluding cash and cash equivalents and receipts recorded as other income, was 12.7%. For both fiscal years ended March 31, 2016 and 2015, our weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 12.6%. Since our initial public offering in June 2005, we have made 134 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 September 16, 2016, we had 30,270,958 shares of Common Stock outstanding, 1,600,000 shares of Series A Term Preferred Stock outstanding, 1,656,000 shares of Series B Term Preferred Stock outstanding and 1,610,000 shares of Series C Term Preferred Stock outstanding. We are required to redeem all shares of Series A Term Preferred Stock on February 28, 2017, all shares of Series B Term Preferred Stock on December 31, 2021 and all shares of Series C Term Preferred stock on May 31, 2022.

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 Adviser and Administrator

We are externally managed by our affiliated investment adviser, Gladstone Management Corporation (the *Adviser*), under an investment advisory and management agreement (the *Advisory Agreement*) and another of our affiliates, Gladstone Administration, LLC (the *Administrator*), provides administrative services to us pursuant to a contractual agreement (the *Administration Agreement*). Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer. Mr. Gladstone and Terry Brubaker, our vice chairman and chief operating officer, also serve on the board of directors of the Adviser, the board of managers of the Administrator, and serve as executive officers of the Adviser and the Administrator. The Administrator employs, among others, our chief financial officer and treasurer, chief valuation officer, chief compliance officer, general counsel and secretary (who also serves as the president of the Administrator) and their respective staffs. The Adviser and Administrator have extensive experience in our lines of business and also provide investment advisory and administrative services, respectively, to our affiliates, including, but not limited to: Gladstone Commercial Corporation (*Gladstone Commercial*), a publicly-traded real estate investment trust; Gladstone Capital Corporation (*Gladstone Capital*), a publicly-traded BDC and RIC; and Gladstone Land Corporation, a publicly-traded real estate investment trust (*Gladstone Land*, with *Gladstone Commercial*, and *Gladstone Capital*, collectively the *Affiliated Public Funds*). In the future, the Adviser and Administrator may provide investment advisory and administrative services, respectively, to other funds and companies, both public and private.

The Adviser was organized as a corporation under the laws of the State of Delaware on July 2, 2002, and is a registered investment adviser under the Investment Advisers Act of 1940, as amended. The Administrator was organized as a limited liability company under the laws of the State of Delaware on March 18, 2005. The Adviser and Administrator are headquartered in McLean, Virginia, a suburb of Washington, D.C. The Adviser also has offices in several other states.

Investment Objectives and Strategy

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the United States (*U.S.*). Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to 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, generally in combination with the aforementioned debt securities, of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from \$5 million to \$30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We intend that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2016, our investment portfolio was made up of 71.9% in debt securities and 28.1% in equity securities, at cost.

In July 2012, the U.S. SEC granted us an exemptive order (the *Co-Investment Order*) that expanded our ability to co-invest with certain of our affiliates, including Gladstone Capital, under certain circumstances and any future business development company or closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC's order.

In general, our investments in debt securities have a term of no more than seven years, accrue interest at variable rates (based on the one-month 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, and which may include a yield

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enhancement such as 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) interest.

Typically, our investments in equity securities take the form 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. Since our initial public offering in 2005 and through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans. Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice to or approval of our stockholders.

We expect that our investment portfolio will primarily include the following three categories of investments in private companies in the U.S.:

First Lien Secured Debt Securities: We seek to invest a portion of our assets in first lien secured debt securities also known as senior loans, senior term loans, lines of credit and senior notes. Using its assets as collateral, the borrower typically uses first lien secured debt to cover a substantial portion of the funding needs of the business. These debt securities usually take the form of first priority liens on all, or substantially all, of the assets of the business.

Second Lien Secured Debt Securities: We seek to invest a portion of our assets in second lien secured debt securities, which may also be referred to as subordinated loans, subordinated notes and mezzanine loans. These second lien secured debt securities rank junior to the borrower's first lien secured debt securities and may be secured by second priority liens on all or a portion of the assets of the business. Additionally, we may receive other yield enhancements, such as warrants to buy common and preferred stock or limited liability interests, in connection with these second lien secured debt securities.

Preferred and Common Equity/Equivalents: We seek to invest a portion of our assets in equity securities, which consist of preferred and common equity, limited liability company interests, warrants or options to acquire such securities, and are generally in combination with our debt investment in a business. Additionally, we may receive equity investments derived from restructurings on some of our existing debt investments. In many cases, we will own a significant portion of the equity of the businesses in which we invest.

Pursuant to the 1940 Act, we must maintain at least 70% of our total assets in qualifying assets, which generally include each of the investment types listed above. Therefore, the 1940 Act permits us to invest up to 30% of our assets in other non-qualifying assets. See *Regulation as a Business Development Company Qualifying Assets* in the accompanying prospectus for a discussion of the types of qualifying assets in which we are permitted to invest pursuant to Section 55(a) of the 1940 Act.

Because the majority of the loans in our portfolio consist of term debt in private companies that typically cannot or will not expend the resources to have their debt securities rated by a credit rating agency, we expect that most, if not all, of the debt securities we acquire will be unrated. Investors should assume that these loans would be rated below what is today considered investment grade quality. Investments rated below investment grade are often referred to as

high yield securities or junk bonds and may be considered higher risk, as compared to investment-grade debt instruments. See *Business Investment Process* included in the accompanying prospectus for additional information on our investment practices.

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Recent Developments

Renewal of our Advisory Agreement

On July 12, 2016, our Board of Directors, including a majority of the directors who are not parties to the agreement or interested persons of any such party, approved the annual renewal of the Advisory Agreement with the Adviser through August 31, 2017. Mr. Gladstone, our chairman and chief executive officer, controls the Adviser. In reaching a decision to approve the Advisory Agreement, our Board of Directors reviewed a significant amount of information and considered, among other things:

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

our investment performance and that of the Adviser;

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

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

various other matters.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of the directors who are not interested persons as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Advisory Agreement, as being in the best interests of our stockholders.

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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 D Term Preferred Stock, see *Description of the Series D Term Preferred Stock* in this prospectus supplement and the Certificate of Designation.

Issuer	Gladstone Investment Corporation
Securities Offered	shares of Series D Term Preferred Stock or shares if the underwriters exercise their overallotment option in full.
Listing	We have applied to list the Series D Term Preferred Stock on NASDAQ under the symbol GAINM. Trading on the Series D Term Preferred Stock is expected to begin within 30 days of the date of this prospectus supplement. Prior to the expected commencement of trading on NASDAQ, the underwriters may make a market in the Series D Term Preferred Stock, but they are not obligated to do so and may discontinue any market-making at any time without notice.
Liquidation Preference	In the event of any liquidation, dissolution or winding up of our affairs, holders of the Series D 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, up to, but excluding, the date fixed for distribution or payment, whether or not earned or declared by us, but excluding interest on any such distribution or payment. See <i>Description of the Series D Term Preferred Stock - Liquidation Rights</i> .
Dividends	<p>The Series D Term Preferred Stock will pay a monthly dividend at a fixed annual rate of % of the Liquidation Preference, or \$ 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 \$ per share per year.</p> <p>Cumulative cash dividends or distributions on each Series D 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 D Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering,</p>

which we refer to as the Date of Original Issue, and will end
on _____, 2016.

Ranking

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

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The Series D 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 our Fifth Amended and Restated Credit Agreement, dated April 30, 2013 (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, Series C Term Preferred Stock or Series D 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, Series C Term Preferred Stock, Series D 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 D Term Preferred Stock on _____, 2023, 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 D Term Preferred Stock pursuant to the mandatory redemption required on _____, 2023, or in any other circumstance in which we are required to redeem the Series D Term Preferred Stock, then the Fixed Dividend Rate will increase by three percent (3.00%) for so long as such failure continues. See *Description of the Series D 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 time of declaration of dividends or other distributions on the Company's common stock (other than dividends payable in shares of common stock) after deducting the amount of such dividend or other distribution as of the time of purchase of the Company's common stock or issuance of any senior security as defined in the 1940 Act, and such failure is not cured in 90 calendar days after the date of such failure (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within

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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 240%. 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, Series D Term Preferred Stock and other future series of Preferred Stock. If shares of Series D 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) up to, but excluding, the date fixed for such redemption.

Asset Coverage for purposes of our Preferred Stock is calculated in accordance with Sections 18 and 61 of the 1940 Act, as in effect on the date of 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 June 30, 2016, and after giving effect to (1) the issuance of the Series D Term Preferred Stock offered in this offering, and (2) the payment of underwriting discounts and commissions of \$ million and estimated related offering costs payable by us of approximately \$, would have been % prior to the activity noted in the *Use of Proceeds* section. We estimate that following our expected use of proceeds, which includes the full redemption of our Series A Term Preferred Stock, our Asset Coverage would be %. Our net investment income, including prior period undistributed net investment income, coverage, which is calculated by dividing the sum of our undistributed net investment income at the beginning of the period and our net investment income during the period by the amount of distributions from net investment income to holders of our Common Stock during the period, was approximately 124.1% for the year ended March 31, 2016 and approximately 233.2% for the three months ended June 30, 2016. 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 D Term Preferred Stock Asset Coverage*.

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Optional Redemption

At any time on or after _____, 2018, at our sole option, we may redeem the Series D 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) up to, but excluding, the date fixed for such redemption. See *Description of the Series D Term Preferred Stock Redemption Optional Redemption*.

Change of Control Redemption

If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series D Term Preferred Stock, we will be required to redeem all of the outstanding Series D 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 D Term Preferred Stock in connection with such events, see *Description of the Series D 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 D 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 by series separately as a class on any matter that materially and adversely affects any preference, right or power of holders of such series of Preferred Stock. See *Description of the Series D Term Preferred Stock Voting Rights*.

Conversion Rights

The Series D Term Preferred Stock will have no conversion rights.

Use of Proceeds

We intend to use the net proceeds from this offering of approximately \$ _____ million (after the payment of underwriting discounts and commissions of \$ _____ million and estimated offering expenses payable by us of approximately \$ _____) to redeem outstanding shares of our Series A Term Preferred Stock, to pay down our Credit Facility and for

other general corporate purposes. See *Use of Proceeds*.

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U.S. Federal Income Taxes

Prospective investors are urged to consult their own tax advisors regarding the tax considerations relevant to holders of the Series D 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 D Term Preferred Stock generally will not qualify for the dividends received deduction or for taxation as qualified dividend income.

Risk Factors

Investing in the Series D Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections entitled *Risk Factors* beginning on page S-10 of this prospectus supplement and page 12 of the accompanying prospectus before deciding whether to invest in our Series D Term Preferred Stock.

Information Rights

During any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any shares of Series D Term Preferred Stock are outstanding, we will provide holders of Series D 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, or the Redemption and Paying Agent. 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 D 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 D 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 D 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 D Term Preferred Stock may be impaired. If that happens, the trading price of the Series D Term Preferred Stock could decline, and you may lose all or part of your investment.

Risks of Investing in Preferred Stock

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

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

The Series D Term Preferred Stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares.

The shares of Series D Term Preferred Stock are a new issue of securities with no established trading market. We intend to apply to list the Series D Term Preferred Stock on the NASDAQ Global Select Market under the symbol GAINM, but there can be no assurance that NASDAQ will accept the Series D Term Preferred Stock for listing. Even if the application is approved, however, an active trading market for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of Series D Term Preferred Stock will be limited. If an active trading market does develop, the Series D Term Preferred Stock may trade at prices lower than the initial offering price. The trading price of the Series D Term Preferred Stock would depend on many factors, including:

prevailing interest rates;

the market for similar securities;

general economic and financial market conditions;

our issuance of debt or preferred equity securities; and

our financial condition, results of operations and prospects.

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

Preferred stock, including the Series D Term Preferred Stock, pays dividends at a fixed dividend rate. Prices of fixed income investments vary inversely with changes in market yields. The market yields on securities

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comparable to the Series D Term Preferred Stock may increase, which would likely result in a decline in the secondary market price of the Series D 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 D Term Preferred Stock, see *Description of the Series D Term Preferred Stock – Dividends and Dividend Periods*.

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

We have applied to list the Series D Term Preferred Stock on NASDAQ, and we do not know when the Series D Term Preferred Stock will be approved for listing, if at all. If approved, we expect the Series D Term Preferred Stock to begin trading on NASDAQ within 30 days of the date of this prospectus supplement. During the time the Series D Term Preferred Stock is not listed on NASDAQ, the underwriters may make a market in the Series D 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 D 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 D Term Preferred Stock will develop. If a secondary market does develop during this period, holders of the Series D 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 D Term Preferred Stock, including the effective costs of trading the stock. Even if our Series D Term Preferred Stock begins trading on NASDAQ, there is also a risk that such shares may be thinly traded, and the market for such shares may be relatively illiquid compared to the market for other types of securities, with the spread between the bid and asked prices considerably greater than the spreads of other securities with comparable terms and features.

The Series D Term Preferred Stock will not be rated.

We do not intend to have the Series D 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 D 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 D 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 D 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 D Term Preferred Stock.

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

We may voluntarily redeem some or all of the Series D Term Preferred Stock on or after _____, 2018, which is five years before the Mandatory Term Redemption Date of _____, 2023. We also may be forced to redeem some or all of the Series D Term Preferred Stock to meet regulatory requirements and the Asset Coverage requirements of such shares. We are also required to redeem all of the Series D Term Preferred Stock upon a Change of Control Triggering Event. Any such redemption may occur at a time that is unfavorable to holders of the Series D Term Preferred Stock. We may have an incentive to redeem the Series D 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 D Term Preferred Stock, or for other reasons. For further information regarding our ability to redeem the Series D Term Preferred Stock, see *Description of the Series D Term Preferred Stock – Optional Redemption* and *Asset Coverage*.

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

Rights of holders of the Series D 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 D 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 D 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 D 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 D Term Preferred Stock in accordance with their terms. Further, there may be market imbalances of sellers and buyers of Series D 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 D Term Preferred Stock and may make valuation of the Series D 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 D 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 D Term Preferred Stock.

Holders of the Series D 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 D Term Preferred Stock and dividends payable on such shares declines.

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

Given the seven-year term and potential for early redemption of the Series D 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 D Term Preferred Stock may be lower than the return previously obtained from the investment in such shares.

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

We may be unable to pay dividends on the Series D 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 D Term Preferred Stock, under certain conditions. See *Liquidity and Capital Resources* *Revolving Credit Facility*.

We face Asset Coverage risks in our investment activities.

The Asset Coverage that we maintain on our Preferred Stock, including the Series D 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

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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 evaluators. While we believe that our debt and equity valuation methods reflect those regularly used as standards by other professionals in our industry who value equity securities, the determination of fair value for securities that are not publicly traded necessarily involves an exercise of subjective judgment, whether or not we obtain the recommendations of an independent third-party evaluator.

Our use of these fair value methods is inherently subjective and is based on estimates and assumptions regarding each security. In the event that we are required to sell a security, we may ultimately sell for an amount materially less than the estimated fair value calculated by us or 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 D 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 14 of the accompanying prospectus.

There is a risk of delay in our redemption of the Series D 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 D 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⁾	%	%	%	%	%

- (1) The hypothetical return to common stockholders is calculated by multiplying our total assets as of June 30, 2016, by the assumed rates of return and subtracting all interest accrued on our debt and dividends on our mandatorily redeemable preferred stock expected to be paid or declared during the twelve months following June 30, 2016, adjusted for the assumed dividends declared on the Series D Term Preferred Stock to be issued in this offering (and assuming proceeds are used as described under *Use of Proceeds*); and then dividing the resulting difference by our total assets attributable to Common Stock as of June 30, 2016. Based on \$507.0 million in total assets, \$79.6 million in borrowings outstanding on our Credit Facility, \$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, \$40.3 million in aggregate liquidation preference of Series C Term Preferred Stock and \$297.9 million in net assets as of June 30, 2016 and assuming the Series D Term Preferred Stock to be issued in this offering is outstanding during the entire period and assuming proceeds are used as described under *Use of Proceeds*.

Based on an outstanding indebtedness of \$84.7 million as of June 30, 2016, and the effective annual interest rate of 3.9% as of that date, aggregate liquidation preference of our Series B Term Preferred Stock of \$41.4 million at a dividend rate of 6.75%, aggregate liquidation preference of our Series C Term Preferred stock of \$40.3 million at a dividend rate of 6.50%, aggregate Liquidation Preference of the Series D Term Preferred Stock of \$ million to be issued in this offering at an assumed dividend rate of %, and redemption of our Series A Term Preferred Stock with an aggregate liquidation preference of \$40.0 million, our investment portfolio at fair value would have been required to experience an annual return of at least % to cover annual interest payments on our outstanding debt and dividends on the Series B, Series C and Series D Term Preferred Stock.

Other Risks

In addition to regulatory limitations on our ability to raise capital, the Credit Facility contains various covenants that, if not complied with, could accelerate our repayment obligations under the facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. In addition, we are obligated to redeem our Series A Term Preferred Stock in February 2017, to redeem our Series B Term Preferred Stock in December 2021 and to redeem our Series C Term Preferred Stock in May 2022. If we do not have sufficient funds to redeem the Series A Term Preferred Stock, the Series B Term Preferred Stock, or the Series C 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 \$76.4 million was drawn as of September 16, 2016. 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, but not limited to, restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment

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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 September 16, 2016, 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 June 30, 2016, our net assets were \$297.9 million, up from \$279.0 million at March 31, 2016. 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 \$224.9 million as of June 30, 2016. Despite the recent increase in our net assets, the fair value of our investment portfolio remains less than the cost basis by approximately \$31.4 million as of June 30, 2016. 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 shares of 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) up 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, whether from this offering or otherwise, 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 shares of 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) up 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.

Further, we are required to redeem all outstanding shares of Series C Term Preferred Stock on May 31, 2022, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends,

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if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) up to, but excluding, the redemption date. If we fail to redeem the Series 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 of the Series C Term Preferred Stock will increase to an annual rate of 10.50% for so long as such failure continues. If we do not have sufficient funds to redeem the Series C 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 prior to the anticipated use of proceeds, which could adversely affect our business, financial condition and results of operations, our ability to meet our payment obligations under the Credit Facility and our ability to meet the asset coverage requirements of the 1940 Act.

As of June 30, 2016, we had \$40.0 million outstanding of Series A Term Preferred Stock, \$41.4 million outstanding of Series B Term Preferred Stock, \$40.3 million outstanding of Series C Term Preferred Stock, \$79.6 million of borrowings outstanding under the Credit Facility, and a \$5.1 million secured borrowing. We intend to use the proceeds from this offering to redeem all outstanding shares of the Series A Term Preferred Stock, to repay borrowings under our Credit Facility and for other general corporate purposes. We anticipate that substantially all of the net proceeds of this offering will be used to redeem the shares of Series A Term Preferred Stock within three months of the completion of this offering; however, we cannot assure you that we will be able to redeem the shares of Series A Term Preferred Stock within this time period or at all. Until such time as the Series A Term Preferred Stock is redeemed in full using the proceeds of this offering (and, to the extent that the aggregate amount of shares of Series D Term Preferred Stock issued in this offering exceeds the aggregate amount of Series A Term Preferred Stock currently outstanding, following such redemption of the Series A Term Preferred Stock), our amount of senior securities outstanding will increase as a result of this offering.

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

making it more difficult for us to meet our payment and other obligations under the Credit Facility;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in the Credit Facility, which event of default could result in all amounts outstanding under the Credit Facility becoming immediately due and payable;

reducing the availability of our cash flow to fund investments and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

increasing the likelihood of our failing to meet the asset coverage requirements of the 1940 Act, as described below.

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

While shares of Series D 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 D Term Preferred Stock as to payment of dividends and distribution of assets upon

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dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series D 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%.

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

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

In addition, we may issue debt securities, other evidences of indebtedness (including borrowings under the Credit Facility), senior securities representing indebtedness and senior securities that are stock up to the maximum amount permitted by the 1940 Act. The 1940 Act currently permits us, as a BDC, to issue senior securities representing indebtedness and senior securities that are stock (such as our Preferred Stock), in amounts such that our asset coverage, in accordance with Sections 18 and 61 of the 1940 Act, is at least 200% 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 prior to any redemption of the Series A Term Preferred Stock. 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 a price 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.

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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 \$ million, after the payment of underwriting discounts and commissions of \$ and estimated offering expenses of \$ payable by us. We intend to use the net proceeds from this offering to redeem outstanding shares of Series A Term Preferred Stock, to repay borrowings under our Credit Facility and for other general corporate purposes. Shares of our Series A Term Preferred Stock accrue cumulative dividends at an annual rate of 7.125% and must be redeemed in full by February 28, 2017, the mandatory redemption date. The aggregate redemption price is \$40.0 million, plus an amount equal to any accrued and unpaid dividends up to, but excluding, the date of redemption. As of June 30, 2016, we had \$79.6 million of borrowings outstanding under the Credit Facility. As of September 16, 2016, we have \$76.4 million outstanding under the Credit Facility. Indebtedness under the Credit Facility currently accrues interest at the rate of approximately 3.8%. 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 additional shares of Series D 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 overallocments, 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 \$ million and estimated offering expenses of \$ payable by us, will be \$ 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.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS**

	FOR THE					
	THREE					
	MONTHS					
	ENDED					
	JUNE					
	30,					
	2016					
	FOR THE YEARS ENDED MARCH 31,					
	2016	2016	2015	2014	2013	2012
	(Dollars in thousands)					
Net investment income	\$ 6,812	\$ 20,716	\$ 19,897	\$ 19,307	\$ 16,488	\$ 13,743
Add: fixed charges and preferred dividends	3,520	14,036	8,799	5,959	4,779	1,435
Earnings	\$ 10,332	\$ 34,752	\$ 28,696	\$ 25,266	\$ 21,267	\$ 15,178
Fixed charges and preferred dividends:						
Interest expense	\$ 971	\$ 4,154	\$ 3,539	\$ 2,075	\$ 1,127	\$ 768
Amortization of deferred financing costs	481	1,908	1,329	1,024	791	459
Preferred dividends	2,065	7,963	3,921	2,850	2,850	198
Estimated interest component of rent	3	11	10	10	11	10
Total fixed charges and preferred dividends	\$ 3,520	\$ 14,036	\$ 8,799	\$ 5,959	\$ 4,779	\$ 1,435

Ratio of earnings to combined fixed charges and preferred dividends **2.9x** 2.5x 3.3x 4.2x 4.5x 10.6x

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

	FOR THE	
	THREE	
	MONTHS	
	ENDED	
	JUNE	
	30,	
	2016	
	FOR THE	
	YEAR	
	ENDED	
	MARCH 31,	
	2016	
	(Dollars in thousands)	
Net investment income, as above	\$ 6,812	\$ 20,716
Add: fixed charges and preferred dividends, as above	3,520	14,036
Adjustments:		
Pro forma increase of amortization of deferred financing costs ^(A)		
Pro forma decrease in preferred dividends ^(B)		

Pro forma fixed charges and preferred dividends

Pro forma earnings	\$	\$
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Pro forma ratio of earnings to combined fixed charges and preferred dividends ^(B)

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

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The following table sets forth our capitalization as of June 30, 2016:

on an actual basis;

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

	AS OF JUNE 30, 2016	
	ACTUAL	AS ADJUSTED
	(Unaudited)	
	(Dollars in thousands)	
Borrowings, at cost		
Borrowings under line of credit ⁽¹⁾	\$ 79,600	\$
Secured borrowing	5,096	
Total borrowings	84,696	
Preferred Stock, at liquidation preference		
Series A Term Preferred Stock, \$.001 par value per share; \$25 liquidation preference per share; 1,600,000 shares authorized, issued and outstanding, actual; shares authorized, issued and outstanding, as adjusted ⁽²⁾	\$ 40,000	\$
Series B Term Preferred Stock, \$.001 par value per share; \$25 liquidation preference per share; 1,656,000 shares authorized, issued and outstanding, actual and as adjusted	41,400	
Series C Term Preferred Stock, \$.001 par value per share; \$25 liquidation preference per share; 1,700,000 shares authorized, 1,610,000 issued and outstanding, actual and as adjusted	40,250	
Series D Term Preferred Stock, \$.001 par value per share; \$25 liquidation preference per share; 0 shares authorized, issued and outstanding, actual; 3,000,000 shares authorized, shares issued and outstanding, as adjusted ⁽³⁾		
Net Assets Applicable to Common Stockholders		
Common stock, \$.001 par value per share, 100,000,000 shares authorized, actual and as adjusted; 30,270,958 shares issued and outstanding, actual and as adjusted ⁽⁴⁾	\$ 30	\$
Capital in excess of par value	311,493	
Cumulative net unrealized depreciation of investments	(31,382)	
Net investment income in excess of distributions	7,603	
Accumulated net realized gain	10,136	

Total Net Assets Available to Common Stockholders	\$ 297,880	\$
Total Capitalization	\$ 504,226	\$

- (1) As of September 16, 2016, prior to closing the offering of the Series D Term Preferred Stock, the outstanding balance on the Credit Facility was \$76.4 million. The net repayments during the period from July 1, 2016 through September 16, 2016, are not included in the as adjusted balance outstanding on the Credit Facility.
- (2) The Company intends to use cash on hand for any shortfall between net proceeds from this offering and the total redemption amount of the Series A Term Preferred Stock, if any.
- (3) Exclusive of assumed aggregate underwriting discounts and commissions of \$ and \$ of estimated offering costs payable by us in connection with this offering.
- (4) None of these outstanding shares are held by us or for our account.

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The following are our outstanding classes of securities as of June 30, 2016.

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		30,270,958
Series A Term Preferred Stock	1,600,000		1,600,000
Series B Term Preferred Stock	1,656,000		1,656,000
Series C Term Preferred Stock	1,700,000		1,610,000

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Table of Contents**SELECTED FINANCIAL INFORMATION**

The following consolidated selected financial data for the fiscal years ended March 31, 2016, 2015, 2014, 2013 and 2012 are derived from our consolidated financial statements that have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm. The consolidated selected financial data for the three months ended June 30, 2016 and 2015 are derived from our unaudited 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.

	Three Months Ended June 30,		Year Ended March 31,				
	2016	2015	2016	2015	2014	2013	2012
(dollar amounts in thousands, except per share data)							
<u>Statement of Operations Data:</u>							
Total investment income	\$ 14,393	\$ 12,706	\$ 50,955	\$ 41,643	\$ 36,264	\$ 30,538	\$ 21,242
Total expenses, net of credits from Adviser	7,581	7,543	30,239	21,746	16,957	14,050	7,499
Net investment income	6,812	5,163	20,716	19,897	19,307	16,488	13,743
Net realized and unrealized gain (loss)	17,722	3,396	4,138	30,317	(20,636)	791	8,223
Net increase (decrease) in net assets resulting from operations	\$ 24,534	\$ 8,559	\$ 24,854	\$ 50,214	\$ (1,329)	\$ 17,279	\$ 21,966
<u>Per Common Share Data:</u>							
Net increase (decrease) in net assets resulting from operations per common share basic and diluted ^(A)	\$ 0.81	\$ 0.28	\$ 0.82	\$ 1.88	\$ (0.05)	\$ 0.71	\$ 0.99
	0.23	0.17	0.68	0.75	0.73	0.68	0.62

Net investment income before net gain (loss) on investments per common share basic and diluted ^(A)								
Cash distributions declared per common share ^(B)	0.19	0.19	0.75	0.77	0.71	0.60	0.61	

Statement of Assets and Liabilities Data:

Total assets	\$ 507,039	\$ 501,774	\$ 506,260	\$ 483,521	\$ 330,694	\$ 379,803	\$ 325,297
Net assets	297,880	279,754	279,022	273,429	220,837	240,963	207,216
Net asset value per common share	9.84	9.24	9.22	9.18	8.34	9.10	9.38
Common shares outstanding	30,270,958	30,270,958	30,270,958	29,775,958	26,475,958	26,475,958	22,080,133
Weighted common shares outstanding basic and diluted	30,270,958	30,260,079	30,268,253	26,665,821	26,475,958	24,189,148	22,080,133

Senior Securities Data:

Total borrowings, at cost ^(C)	\$ 84,696	\$ 94,846	\$ 100,096	\$ 123,896	\$ 66,250	\$ 94,016	\$ 76,005
Mandatorily redeemable preferred stock ^(D)	121,650	121,650	121,650	81,400	40,000	40,000	40,000

(A) Per share data is based on the weighted average common stock outstanding for both basic and diluted.

(B) The tax character of distributions is determined on an annual basis. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* to our *Consolidated Financial Statements* included elsewhere in this prospectus.

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- (C) Includes borrowings under our Credit Facility, other secured borrowings, and short-term loans, as applicable.
 (D) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

	Three Months Ended June 30,		Year Ended March 31,				2012
	2016	2015	2016	2015	2014	2013	
(dollar amounts in thousands, except per share data)							
Other Unaudited Data:							
Number of portfolio companies	36	34	36	34	29	21	17
Average size of portfolio company investment at cost	\$ 14,510	\$ 15,213	\$ 14,392	\$ 14,861	\$ 13,225	\$ 15,544	\$ 15,670
Total dollars invested	28,976	17,326	69,380	108,197	132,291	87,607	91,298
Total dollars repaid and collected from sales	42,942	5,548	44,582	11,260	83,415	28,424	27,185
Weighted average yield on investments ^(A)	12.67%	12.63%	12.62%	12.60%	12.61%	12.51%	12.32%
Total return ^(B)	4.75	10.07	4.82	11.96	24.26	4.73	5.58

- (A) Weighted average yield on investments equals interest income earned on investments divided by the weighted average interest-bearing principal balance throughout the fiscal year.
- (B) Total return equals the change in the ending market value of our common stock from the beginning of the fiscal year, taking into account common distributions reinvested in accordance with the terms of the dividend reinvestment plan. Total return does not take into account common distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders* to our *Consolidated Financial Statements* included elsewhere in this prospectus.

Table of Contents**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, 2016 and the first quarter of the fiscal year ending March 31, 2017. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the past fiscal year or for any future quarter.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Quarter Ended June 30, 2016
Year ending March 31, 2017	
Total investment income	\$ 14,393
Net investment income	6,812
Net increase in net assets resulting from operations	24,534
Net increase in net assets resulting from operations per weighted average common share basic & diluted	\$ 0.81

	Quarter Ended			
Year ended March 31, 2016	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
Total investment income	\$ 12,706	\$ 13,740	\$ 12,068	\$ 12,441
Net investment income	5,163	6,023	4,631	4,899
Net increase (decrease) in net assets resulting from operations	8,559	(110)	(6,213)	22,618
Net increase (decrease) in net assets resulting from operations per weighted average common share basic & diluted	\$ 0.29	\$	\$ (0.21)	\$ 0.74

	Quarter Ended			
Year ended March 31, 2015	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
Total investment income	\$ 9,837	\$ 9,071	\$ 11,562	\$ 11,173
Net investment income	4,859	4,204	5,839	4,995
Net increase in net assets resulting from operations	10,770	2,697	7,589	29,158
Net increase in net assets resulting from operations per weighted average common share basic & diluted	\$ 0.41	\$ 0.10	\$ 0.29	\$ 1.08

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

OVERVIEW

General

We were incorporated under the General Corporation Law of the State of Delaware on February 18, 2005. On June 22, 2005, we completed our initial public offering and commenced operations. We operate as an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. For federal income tax purposes, we have elected to be treated as a RIC under the Code. In order to continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, we must meet certain requirements, including certain minimum distribution requirements.

We were established for the purpose of investing in debt and equity securities of established private businesses operating in the U.S. Our investment objectives are to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to our stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow in value over time to permit us to sell our equity investments for capital gains. 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 million to \$30 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We seek to avoid investments in high-risk, early stage enterprises. We expect that our investment portfolio over time will consist of approximately 75% in debt securities and 25% in equity securities, at cost. As of June 30, 2016, our investment portfolio was made up of 71.9% in debt securities and 28.1% in equity securities, at cost.

We focus on investing in small and medium-sized private businesses in the U.S. that meet certain criteria, including, but not limited to, the following: the sustainability of the business free cash flow and its ability to grow it over time, adequate assets for loan collateral, experienced management teams with a significant ownership interest in the borrower, reasonable capitalization of the borrower, including an ample equity contribution or cushion based on prevailing enterprise valuation multiples, and the potential to realize appreciation and gain liquidity in our equity position, if any. We anticipate that liquidity in our equity position will be achieved through a merger or acquisition of the 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 for growth capital or to finance acquisitions or recapitalize or refinance their existing debt facilities. We seek to avoid investing in high-risk, early-stage enterprises.

We invest by ourselves or jointly with other funds and/or management of the portfolio company, depending on the opportunity.

Additionally, in July 2012, the SEC granted us the Co-Investment Order that expanded our ability to co-invest with certain of our affiliates under certain circumstances and any future business development company or

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closed-end management investment company that is advised (or sub-advised if it controls the fund) by our external investment adviser, or any combination of the foregoing, subject to the conditions in the SEC's order. We have opportunistically made several co-investments with our affiliate, Gladstone Capital Corporation, pursuant to the Co-Investment Order. We believe the Co-Investment Order has enhanced and will continue to enhance our ability to further our investment objectives and strategies. If we are participating in an investment with one or more co-investors, whether or not an affiliate of ours, our investment is likely to be smaller than if we were investing alone.

We are externally managed by our affiliated investment adviser, Gladstone Management Corporation, an SEC registered investment adviser, 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. Each of the Adviser and Administrator are privately-held companies that are indirectly owned and controlled by David Gladstone, our chairman and chief executive officer.

Additionally, Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the voluntary, unconditional, and irrevocable credits against the base management fee. For additional information refer to Note 4 *Related Party Transactions* of the notes to our accompanying *Consolidated Financial Statements*.

Our shares of common stock, Series A Term Preferred Stock, Series B Term Preferred Stock and Series C Term Preferred Stock are traded on NASDAQ under the trading symbols GAIN, GAINP, GAINO, and GAINN, respectively.

Business***Portfolio Activity***

While economic 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 June 30, 2016, we invested \$25.5 million in one new portfolio company and exited one existing portfolio company with a fair value of \$44.9 million as of March 31, 2016; therefore, the number of portfolio companies was 36 as of both June 30, 2016 and March 31, 2016. From our initial public offering in June 2005 through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans, for a total of approximately \$860 million before giving effect to principal repayments and divestitures. For the three months ended June 30, 2016, our new investments consisted of 72.9% secured second lien loans and 27.1% equity investments, based on the originating principal balances.

The majority of the debt securities in our portfolio have a success fee component, which enhances the yield on our debt investments. Unlike PIK income, we generally do not recognize success fees as income until they are received in cash. Due to the contingent nature of success fees, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of such collections. As a result, as of June 30, 2016, we had unrecognized success fees of \$29.9 million, or \$0.99 per common share. Consistent with GAAP, we have not recognized success fee receivables and related income in our *Consolidated Financial Statements* until earned.

Since inception, we have closed eight buyout liquidity events, which, in the aggregate, have generated \$88.4 million in net realized gains and \$18.9 million in other income, for a total increase to our net assets of \$107.3

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million. We believe each of these transactions was an equity-oriented investment success and exemplifies our investment strategy of striving to achieve returns through current income on the debt portion of our investments and capital gains from the equity portion. The eight liquidity events have offset our cumulative realized losses since inception, which were primarily incurred during the recession in connection with the sale of performing syndicated loans at a realized loss to pay off a former lender. These successful exits, in part, enabled us to increase the monthly distribution by 56.3% since March 2011, and 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.

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 of and increases to our Credit Facility and by accessing the capital markets in the form of public offerings of common and preferred stock. We have successfully extended our Credit Facility's revolving period multiple times, most recently to June 2017, and increased the commitment from \$60.0 million to \$185.0 million (with a potential total commitment of \$250.0 million through additional commitments of new or existing lenders). Additionally, we issued approximately 3.8 million shares of common stock for gross proceeds of \$28.1 million in March 2015, inclusive of the April 2015 over-allotment, and 1.6 million shares of our Series C Term Preferred Stock for gross proceeds of \$40.3 million in May 2015. Refer to *Liquidity and Capital Resources – Equity Common Stock* and *Liquidity and Capital Resources – Equity Term Preferred Stock* for further discussion of our common stock and mandatorily redeemable preferred stock and *Liquidity and Capital Resources – Revolving Credit Facility* for further discussion of our Credit Facility.

Although we were able to access the capital markets historically, 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 common equity. On September 16, 2016, the closing market price of our common stock was \$8.77 per share, which represented a 10.9% discount to our NAV of \$9.84 per share as of June 30, 2016. When our common stock trades below NAV, our ability to issue additional 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 2015 Annual Meeting of Stockholders held on August 6, 2015, 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 our board of directors (our Board of Directors) makes certain determinations prior to any such sale. This August 2015 stockholder authorization is in effect for one year from the date of stockholder approval. At our 2016 Annual Meeting of Stockholders held on August 4, 2016, we asked our stockholders to vote in favor of a similar proposal, which was approved to be effective through August 2017. We sought and obtained stockholder approval concerning similar proposals at each Annual Meeting of Stockholders since 2008, and with our Board of Directors' subsequent approval, we issued shares of our common stock in March and April 2015 and 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

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(in accordance with Sections 18 and 61 of the 1940 Act) of at least 200.0% on each of our senior securities representing indebtedness and our senior securities that are stock (such as our three series of term preferred stock).

Investment Highlights

During the three months ended June 30, 2016, we disbursed \$25.5 million in new debt and equity investments, received \$43.5 million in proceeds from repayments and sales, and extended \$3.5 million of follow-on investments to existing portfolio companies through revolver draws or additions to equity. From our initial public offering in June 2005 through June 30, 2016, we have made investments in 44 companies, excluding investments in syndicated loans, for a total of approximately \$860 million before giving effect to principal repayments and divestitures.

Investment Activity

During the three months ended June 30, 2016, the following significant transactions occurred:

In April 2016, we sold our investment in Acme Cryogenics, Inc. (*Acme*), which resulted in dividend income of \$2.8 million and a net realized gain of \$18.8 million. In connection with the sale, we received net cash proceeds of \$44.6 million, including the repayment of our debt investment of \$14.5 million at par and net receivables of \$0.6 million, which are recorded within Other assets, net on the accompanying *Consolidated Statement of Assets and Liabilities* included elsewhere in this prospectus supplement.

In May 2016, we invested \$25.5 million in The Mountain Corporation (*The Mountain*) through a combination of secured second lien debt and preferred equity. The Mountain, headquartered in Keene, New Hampshire, is a designer and manufacturer of premium quality, bold artwear apparel serving a diverse global customer base.

Recent Developments

Registration Statement

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. 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 concurrent, separate offerings of such securities. No securities have been issued to date under the registration statement.

Distributions and Dividends

In July 2016, our Board of Directors declared the following monthly distributions to common stockholders and dividends to holders of our Series A Term Preferred Stock, Series B Term Preferred Stock, and Series C Term Preferred Stock:

Record Date	Payment Date	Distribution per Common Share	Dividend per Series A Term Preferred Share	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share
July 22, 2016	August 2, 2016	\$ 0.0625	\$ 0.1484375	\$ 0.140625	\$ 0.135417
August 22, 2016	August 31, 2016	0.0625	0.1484375	0.140625	0.135417
September 21, 2016	September 30, 2016	0.0625	0.1484375	0.140625	0.135417
Total for the Quarter:		\$ 0.1875	\$ 0.4453125	\$ 0.421875	\$ 0.406251

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	For the Three Months Ended June 30,			
	\$			
	2016	2015	Change	% Change
INVESTMENT INCOME				
Interest income	\$ 11,628	\$ 11,385	\$ 243	2.1%
Other income	2,765	1,321	1,444	109.3
Total investment income	14,393	12,706	1,687	13.3
EXPENSES				
Base management fee	2,509	2,453	56	2.3
Loan servicing fee	1,681	1,559	122	7.8
Incentive fee	1,700	1,291	409	31.7
Administration fee	299	355	(56)	(15.8)
Interest and dividend expense	3,036	2,831	205	7.2
Amortization of deferred financing costs and discounts	481	460	21	4.6
Other	393	998	(605)	(60.6)
Expenses before credits from Adviser	10,099	9,947	152	1.5
Credits to fees from Adviser	(2,518)	(2,404)	(114)	4.7
Total expenses, net of credits to fees	7,581	7,543	38	0.5
NET INVESTMENT INCOME	6,812	5,163	1,649	31.9
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain on investments	18,635	199	18,436	NM
Net realized loss on other	(75)		(75)	NM
Net unrealized (depreciation) appreciation of investments	(913)	3,197	(4,110)	NM
Net unrealized appreciation of other	75		75	NM
Net realized and unrealized gain	17,722	3,396	14,326	421.8
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 24,534	\$ 8,559	\$ 15,975	186.6%
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	\$ 0.23	\$ 0.17	\$ 0.05	29.4%
Net increase in net assets resulting from operations	\$ 0.81	\$ 0.28	\$ 0.53	189.3%

NM = Not Meaningful

Investment Income

Total investment income increased by 13.3% for the three months ended June 30, 2016, as compared to the prior year period. This increase was primarily due to an increase in other income as well as an increase in interest income, which resulted from an increase in the size of our interest-bearing portfolio for the three months ended June 30, 2016 as compared to the prior year period.

Interest income from our investments in debt securities increased 2.1% for the three months ended June 30, 2016, 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 June 30, 2016 was \$367.2 million, compared to \$362.6 million for the prior year

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period. This increase was primarily due to \$60.7 million in new debt investments originated after June 30, 2015, partially offset by the pay-off of \$48.1 million of debt investments principally related to the exit of portfolio companies.

At June 30, 2016 and 2015, our loans to one portfolio company, Tread Corporation (Tread), were on non-accrual status, with an aggregate debt cost basis of \$3.2 million and \$11.3 million, respectively. The weighted average yield on our interest-bearing investments, excluding cash and cash equivalents and receipts recorded as other income, was 12.7% and 12.6% for the three months ended June 30, 2016 and 2015, respectively. The weighted average yield may vary from period to period, based on the current stated interest rate on interest-bearing investments.

Other income for the three months ended June 30, 2016 increased 109.3% from the prior year period. During the three months ended June 30, 2016, other income primarily consisted of \$2.8 million of dividend income. For the three months ended June 30, 2015, other income primarily consisted of \$0.4 million of dividend income and \$0.9 million of success fee income.

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

Portfolio Company	As of June 30, 2016		Three months ended June 30, 2016 % of Total	
	Fair Value	% of Portfolio	Investment Income	Investment Income
Counsel Press, Inc.	\$ 30,198	6.2%	\$ 777	5.4%
Cambridge Sound Management, Inc.	26,806	5.5	493	3.4
The Mountain Corporation ^(A)	25,500	5.2	370	2.6
SOG Specialty Knives & Tools, LLC	22,731	4.6	662	4.6
Nth Degree, Inc.	22,405	4.6	420	2.9
Subtotal five largest investments	127,640	26.1	2,722	18.9
Other portfolio companies	363,341	73.9	11,671	81.1
Total investment portfolio	\$ 490,981	100.0%	\$ 14,393	100.0%

Portfolio Company	As of June 30, 2015		Three months ended June 30, 2015 % of Total	
	Fair Value	% of Portfolio	Investment Income	Investment Income
Funko, LLC ^(B)	\$ 31,221	6.5%	\$ 442	3.5%
SOG Specialty Knives & Tools, LLC	29,766	6.2	662	5.2
Counsel Press, Inc.	29,463	6.1	791	6.2

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Cambridge Sound Management, Inc.	26,180	5.4	493	3.9
Acme Cryogenics, Inc. ^(B)	25,569	5.3	422	3.3
Subtotal five largest investments	142,199	29.5	2,810	22.1
Other portfolio companies	339,044	70.5	9,896	77.9
Total investment portfolio	\$ 481,243	100.0%	\$ 12,706	100.0%

(A) New investment during the applicable period.

(B) We exited the investment subsequent to June 30, 2015.

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Table of Contents**Expenses**

Total expenses, net of any voluntary, unconditional, and irrevocable credits from the Adviser, were relatively flat during the three months ended June 30, 2016, as compared to the prior year period, as the increase in interest and dividend expense and the incentive fee was offset by a decrease in other expenses.

The incentive fee increased for the three months ended June 30, 2016, as compared to the prior year period, as net investment income increased over the respective periods.

The base management fee, loan servicing fee, incentive fee, and their related voluntary, unconditional, and irrevocable credits are computed quarterly, as described under *Transactions with the Adviser* in Note 4 *Related Party Transactions* of the notes to our accompanying *Consolidated Financial Statements* and are summarized in the following table:

	Three Months Ended June 30,	
	2016	2015
Average total assets subject to base management fee ^(A)	\$ 501,800	\$ 490,600
Multiplied by prorated annual base management fee of 2.0%	0.5%	0.5%
Base management fee ^(B)	2,509	2,453
Credits to fees from Adviser other ^(B)	(837)	(845)
Net base management fee	\$ 1,672	\$ 1,608
Loan servicing fee ^(B)	\$ 1,681	\$ 1,559
Credits to base management fee loan servicing fee ^(B)	(1,681)	(1,559)
Net loan servicing fee	\$	\$
Incentive fee ^(B)	\$ 1,700	\$ 1,291
Credits to fees from Adviser other ^(B)		
Net incentive fee	\$ 1,700	\$ 1,291

(A) Average total 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 as a line item on our accompanying *Consolidated Statement of Operations*.

Interest and dividend expense increased 7.2% for the three months ended June 30, 2016, as compared to the prior year period, primarily due to dividends paid related to our Series C Term Preferred Stock issued in May 2015, partially offset by lower costs of borrowings on our Credit Facility, as the increase in the effective interest rate was more than offset by the decrease in average borrowings outstanding. The weighted average balance outstanding on our Credit

Facility during the three months ended June 30, 2016, was \$79.9 million, as compared to \$103.1 million in the prior year period. The effective interest rate on our Credit Facility, excluding the impact of deferred financing costs, during the three months ended June 30, 2016 was 4.4% as compared to 3.9% in the prior year period. Dividends on mandatorily redeemable preferred stock increased \$0.3 million from the prior year period, when the Series C Term Preferred Stock was newly issued and only outstanding for a portion of the period.

Other expenses decreased 60.6% for the three months ended June 30, 2016, as compared to the prior year period, primarily as a result of lower professional fees, including legal and diligence fees, as well as lower bad debt expense.

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Table of Contents**Realized and Unrealized Gain (Loss)***Net Realized Gain on Investments*

During the three months ended June 30, 2016, we recorded net realized gains on investments of \$18.6 million, primarily related to the \$18.8 million realized gain from the exit of Acme, compared to net realized gains of \$0.2 million during the prior year period related to exit of Roanoke Industries Corp.

Net Realized Loss on Other

During the three months ended June 30, 2016, we recorded a net realized loss on other of \$75 due to the expiration of our interest rate cap agreement.

Net Unrealized Appreciation (Depreciation) of Investments

During the three months ended June 30, 2016, we recorded net unrealized depreciation of investments of \$0.9 million. The realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2016, were as follows:

Portfolio Company	Three Months Ended June 30, 2016			
	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized (Appreciation) Depreciation	Net Gain (Loss)
Galaxy Tool Holding Corporation	\$	\$ 7,819	\$	\$ 7,819
Head Country, Inc.		5,082		5,082
Jackrabbit, Inc.		2,891		2,891
Brunswick Bowling Products, Inc.		2,279		2,279
Logo Sportswear, Inc.		1,909		1,909
Country Club Enterprises, LLC		1,406		1,406
Nth Degree, Inc.		1,403		1,403
Mitchell Rubber Products, Inc.		1,326		1,326
Counsel Press, Inc.		1,299		1,299
Behrens Manufacturing, LLC		1,297		1,297
Drew Foam Company, Inc.		1,239		1,239
B-Dry, LLC		1,186		1,186
Schylling, Inc.		1,169		1,169
Frontier Packaging, Inc.		1,119		1,119
Ginsey Home Solutions, Inc.		1,002		1,002
GI Plastek, Inc.		247		247
Channel Technologies Group, LLC		(257)		(257)
Meridian Rack & Pinion, Inc.		(530)		(530)
B+T Group Acquisition, Inc.		(770)		(770)
Cambridge Sound Management, Inc.		(1,028)		(1,028)
D.P.M.S., Inc.		(1,154)		(1,154)
Old World Christmas, Inc.		(1,610)		(1,610)

Tread Corporation		(1,708)		(1,708)
Precision Southeast, Inc.		(2,240)		(2,240)
Acme Cryogenics, Inc.	18,806		(21,216)	(2,410)
SOG Specialty Knives & Tools, LLC		(3,416)		(3,416)
Other, net (<\$250 Net)	(171)	343		172
Total	\$ 18,635	\$ 20,303	\$ (21,216)	\$ 17,722

The primary driver of net unrealized depreciation of \$0.9 million for the three months ended June 30, 2016, was the reversal of \$21.2 million of previously recorded unrealized appreciation on our investment in Acme upon exit. This decrease was partially offset by unrealized appreciation resulting from an increase in performance of several of our portfolio companies.

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During the three months ended June 30, 2015, we recorded net unrealized appreciation on investments of \$3.2 million. The realized gain (loss) and unrealized appreciation (depreciation) across our investments for the three months ended June 30, 2015, were as follows:

Portfolio Company	Three Months Ended June 30, 2015			
	Realized Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized (Appreciation) Depreciation	Net Gain (Loss)
Funko, LLC	\$	\$ 6,213	\$	\$ 6,213
Cambridge Sound Management, Inc.		3,982		3,982
Frontier Packaging, Inc		3,484		3,484
Acme Cryogenics, Inc.		2,550		2,550
D.P.M.S., Inc.		2,470		2,470
Mathey Investments, Inc.		1,703		1,703
Precision Southeast, Inc.		1,668		1,668
Tread Corporation		1,520		1,520
Logo Sportswear, Inc.		1,204		1,204
SBS Industries, LLC		829		829
Behrens Manufacturing, LLC		672		672
Roanoke Industries Corp.	215		(110)	105
Head Country, Inc.		(155)		(155)
Quench Holdings Corp.		(197)		(197)
Drew Foam Company, Inc.		(323)		(323)
Ginsey Home Solutions, Inc.		(968)		(968)
Meridian Rack & Pinion, Inc.		(1,239)		(1,239)
Alloy Die Casting Co.		(1,360)		(1,360)
Counsel Press, Inc.		(1,432)		(1,432)
Country Club Enterprises, LLC		(1,437)		(1,437)
SOG Specialty Knives & Tools, LLC		(2,085)		(2,085)
Edge Adhesives Holdings, Inc.		(2,114)		(2,114)
Jackrabbit, Inc.		(2,776)		(2,776)
Old World Christmas, Inc.		(4,205)		(4,205)
B+T Group Acquisition, Inc.		(4,541)		(4,541)
Other, net (<\$250 Net)	(16)	(156)		(172)
Total	\$ 199	\$ 3,307	\$ (110)	\$ 3,396

The primary driver of net unrealized appreciation of \$3.2 million for the three months ended June 30, 2015, was an improvement in the performance of certain portfolio companies and an increase in comparable multiples used to estimate the fair value of our investments, which more than offset the decreased performance of several of our portfolio companies.

Across our entire investment portfolio, we recorded \$0.3 million of net unrealized depreciation on our debt positions and \$0.6 million of net unrealized depreciation on our equity holdings for the three months ended June 30, 2016. At

June 30, 2016, the fair value of our investment portfolio was less than our cost basis by \$31.4 million, as compared to \$30.5 million at March 31, 2016, representing net unrealized depreciation of \$0.9 million for the three months ended June 30, 2016. Our entire portfolio had a fair value of 94.0% of cost as of June 30, 2016.

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Table of Contents*Net Unrealized Appreciation on Other*

During the three months ended June 30, 2016, we recorded net unrealized appreciation on other of \$75 due to the reversal of previously recorded depreciation upon the expiration of our interest rate cap agreement. There was no net unrealized appreciation or depreciation on other for the three months ended June 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES**Operating Activities**

Net cash provided by operating activities for the three months ended June 30, 2016, was \$21.9 million, as compared to net cash used in operating activities of \$6.1 million for the three months ended June 30, 2015. This change was primarily due to increased investment repayments and net proceeds from sales of investments, which more than offset the increase in cash paid for the purchase of investments period over period. Purchases of investments were \$29.0 million during the three months ended June 30, 2016 compared to \$17.3 million during the three months ended June 30, 2015. Repayments and proceeds from the sale of investments totaled \$42.9 million during the three months ended June 30, 2016 compared to \$5.5 million during the three months ended June 30, 2015.

As of June 30, 2016, we had equity investments in or loans to 36 portfolio companies with an aggregate cost basis of \$522.4 million. As of June 30, 2015, we had equity investments in or loans to 34 portfolio companies with an aggregate cost basis of \$517.3 million. The following table summarizes our total portfolio investment activity during the three months ended June 30, 2016 and 2015:

	Three Months Ended June 30,	
	2016	2015
Beginning investment portfolio, at fair value	\$ 487,656	\$ 466,053
New investments	25,500	16,251
Disbursements to existing portfolio companies	3,476	1,075
Scheduled principal repayments		(1,650)
Unscheduled principal repayments	(15,411)	(3,583)
Net proceeds from sales of investments	(27,531)	(315)
Net realized gain on investments	18,204	215
Net unrealized appreciation of investments	20,303	3,307
Reversal of net unrealized appreciation of investments	(21,216)	(110)
Ending investment portfolio, at fair value	\$ 490,981	\$ 481,243

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2016:

		Amount
For the remaining nine months ending March 31:	2017	\$ 22,160
For the fiscal years ending March 31:	2018	76,326

	2019	81,681
	2020	101,108
	2021	75,515
	Thereafter	18,600
	Total contractual repayments	\$ 375,390
	Investments in equity securities	146,973
	Total cost basis of investments held as of June 30, 2016:	\$ 522,363

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Table of Contents**Financing Activities**

Net cash used in financing activities for the three months ended June 30, 2016, was \$21.2 million, which consisted primarily of \$15.4 million of net repayments on our Credit Facility and \$5.7 million in distributions to common stockholders. Net cash provided by financing activities for the three months ended June 30, 2015, was \$7.3 million, which consisted primarily of \$38.5 million of proceeds from the issuance of our Series C Term Preferred Stock in May 2015, net of total deferred financing and offering costs, and \$3.4 million of net proceeds from the issuance of common shares in April 2015, partially offset by \$29.1 million of net repayments on our Credit Facility and \$5.7 million in distributions to common stockholders.

Distributions and Dividends to Stockholders***Common Stock Distributions***

To qualify to be taxed as a RIC and thus avoid corporate level federal income tax on the income we distribute to our stockholders, we are required to distribute to our stockholders on an annual basis at least 90% of our ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (Investment Company Taxable Income). Additionally, our Credit Facility generally restricts the amount of distributions to stockholders that we can pay out to be no greater than the sum of certain amounts, including, but not limited to, our net investment income, plus net capital gains, plus amounts elected by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. In accordance with these requirements, our Board of Directors declared and we paid monthly cash distributions of \$0.0625 per common share for each of the three months, April, May, and June 2016. Our Board of Directors declared these distributions based on estimates of Investment Company Taxable Income for the fiscal year ending March 31, 2017.

For federal income tax purposes, we determine the tax characterization of our common distributions as of the end of our fiscal year based upon our taxable income for the full fiscal year and distributions paid during the full fiscal year. The characterization of the common stockholder distributions declared and paid for the year ending March 31, 2017 will be determined after the 2017 fiscal year end based upon our taxable income for the full year and distributions paid during the full year. Such a characterization made on a quarterly basis may not be representative of the actual full year characterization.

For the year ended March 31, 2016, distributions to common stockholders totaled \$22.7 million and were less than our taxable income for the same year, when also considering prior spillover amounts under Section 855(a) of the Code. At March 31, 2016, we elected to treat \$6.9 million of the first distributions paid after fiscal year-end as having been paid in the prior fiscal year, in accordance with Section 855(a) of the Code. In addition, we recorded a \$1.7 million adjustment for estimated permanent book-tax differences, which decreased Capital in excess of par value and Accumulated net realized loss and increased Net investment income in excess of distributions as of March 31, 2016. As of June 30, 2016, we recorded a \$0.1 million adjustment for estimated permanent book-tax differences, which decreased Capital in excess of par value, and increased Accumulated net realized gain (loss) and Net investment income in excess of distributions.

Preferred Stock Dividends

Our Board of Directors declared and we paid monthly cash dividends of \$0.1484375 per share to holders of our Series A Term Preferred Stock, \$0.140625 per share to holders of our Series B Term Preferred Stock, and \$0.135417 per share to holders of our Series C Term Preferred Stock for each of the three months, April, May, and June 2016. In accordance with GAAP, we treat these monthly dividends as an operating expense. For federal income tax purposes,

the dividends paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

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Table of Contents***Dividend Reinvestment Plan***

Our common stockholders who hold their shares through our transfer agent, Computershare, have the option to participate in a dividend reinvestment plan offered by Computershare. This is an opt in dividend reinvestment plan, meaning that common stockholders may elect to have their cash distributions automatically reinvested in additional shares of our common stock. Common stockholders who do not so elect will receive their distributions in cash. Common stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. The common stockholder will have an adjusted basis in the additional common shares purchased through the plan equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the date on which the shares are credited to the common stockholder's account. Our plan agent purchases shares in the open market in connection with the obligations under the plan. The Computershare dividend reinvestment plan is not open to our preferred stock stockholders.

Equity***Registration Statement***

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. 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 concurrent, separate offerings of such securities. No securities have been issued to date under the registration statement.

Common Stock

We anticipate issuing equity securities to obtain additional capital in the future. However, we cannot determine the timing or terms of any future equity issuances or whether we will be able to issue equity on terms favorable to us, or at all. When our common stock is trading at a price below NAV per share, as it has predominantly since September 30, 2008, the 1940 Act places regulatory constraints on our ability to obtain additional capital by issuing common stock. Generally, the 1940 Act provides that we may not issue and sell our common stock at a price below our NAV per common share, other than to our then existing common stockholders pursuant to a rights offering, without first obtaining approval from our stockholders and our independent directors, and meeting other stated requirements. On September 16, 2016, the closing market price of our common stock was \$8.77 per share, representing a 10.9% discount to our NAV of \$9.84 per share as of June 30, 2016. To the extent that our common stock continues to trade at a market price below our NAV per common share, we will generally be precluded from raising equity capital through public offerings of our common stock, other than pursuant to stockholder approval or through a rights offering to existing common stockholders. At our 2015 Annual Meeting of Stockholders held on August 6, 2015, our stockholders approved a proposal authorizing us to issue and sell shares of our common stock at a price below our then current NAV per common share for a period of one year from the date of such approval, provided that our Board of Directors makes certain determinations prior to any such sale. At our 2016 Annual Meeting of Stockholders, which took place on August 4, 2016, we again asked our stockholders to vote in favor of a similar proposal for the fiscal year ending March 31, 2017, which was approved on such date.

Term Preferred Stock

Pursuant to our prior registration statement on Form N-2 (File No. 333-160720), in March 2012, we completed an offering of 1,600,000 shares of our Series A Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$40.0 million, and net proceeds, after deducting underwriting discounts and

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offering costs borne by us, were \$38.0 million, a portion of which was used to repay borrowings under our Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. We incurred \$2.0 million in total offering costs related to the offering, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending February 28, 2017, the mandatory redemption date.

Our Series A Term Preferred Stock provides for a fixed dividend equal to 7.125% per year, payable monthly (which equates to \$2.9 million per year). We are required to redeem all of the outstanding Series A Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to \$25.00 per share plus an amount equal to accumulated but unpaid dividends, if any, up to the date of redemption. Our Series A Term Preferred Stock is not convertible into our common stock or any other security. In addition, three other potential redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of the outstanding Series A Term Preferred Stock; (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of the outstanding Series A Term Preferred Stock or otherwise cure the ratio redemption trigger and (3) at our sole option, at any time on or after February 28, 2016, we may redeem some or all of our Series A Term Preferred Stock.

Pursuant to our prior registration statement on Form N-2 (Registration No. 333-181879), in November 2014, we completed a public offering of 1,656,000 shares of our Series B Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$41.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$39.7 million. We incurred \$1.7 million in total offering costs related to this offering, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending December 31, 2021, the mandatory redemption date.

Our Series B Term Preferred Stock is not convertible into our common stock or any other security. Our Series B Term Preferred Stock provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates to \$2.8 million per year). We are required to redeem all shares of our outstanding Series B Term Preferred Stock on December 31, 2021, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, up to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series B Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series B Term Preferred Stock or otherwise cure the ratio redemption trigger. We may also voluntarily redeem all or a portion of our Series B Term Preferred Stock at our sole option at the redemption price in order to have an asset coverage ratio of up to and including 215.0% and at any time on or after December 31, 2017.

Also, pursuant to our prior registration statement on Form N-2 (Registration No. 333-181879), in May 2015, we completed a public offering of 1,610,000 shares of our Series C Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$40.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$38.6 million. We incurred \$1.6 million in total offering costs related to this offering, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending May 31, 2022, the mandatory redemption date.

Our Series C Term Preferred Stock is not convertible into our common stock or any other security. Our Series C Term Preferred Stock provides for a fixed dividend equal to 6.50% per year, payable monthly (which equates to \$2.6 million per year). We are required to redeem all shares of our outstanding Series C Term Preferred Stock on May 31, 2022, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if

any, up to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in

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control of us, we would be required to redeem all of our outstanding Series C Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200%, we are required to redeem a portion of our outstanding Series C Term Preferred Stock or otherwise cure the ratio redemption trigger. We may also voluntarily redeem all or a portion of our Series C Term Preferred Stock at our sole option at the redemption price in order to have an asset coverage ratio of up to and including 215.0% and at any time on or after May 31, 2018.

Each series of our mandatorily redeemable preferred stock has a preference over our common stock with respect to dividends, whereby no distributions are payable on our common stock unless the stated dividends, including any accrued and unpaid dividends, on the mandatorily redeemable preferred stock have been paid in full. The Series A, B, and C Term Preferred Stock are considered liabilities in accordance with GAAP and, as such, affect our asset coverage, exposing us to additional leverage risks. The asset coverage on our senior securities that are stock (our Series A, B, and C Term Preferred Stock) as of June 30, 2016 was 239.7%, calculated pursuant to Sections 18 and 61 of the 1940 Act.

Revolving Credit Facility

On June 26, 2014, we, through our wholly-owned subsidiary, Business Investment, entered into Amendment No. 1 to our Fifth Amended and Restated Credit Agreement originally entered into on April 30, 2013 with KeyBank National Association (KeyBank), administrative agent, lead arranger and a lender; other lenders; and the Adviser, as servicer, to extend the revolving period and reduce the interest rate of our revolving line of credit. The revolving period was extended to June 26, 2017, and if not renewed or extended by June 26, 2017, all principal and interest will be due and payable on or before June 26, 2019. Subject to certain terms and conditions, our Credit Facility can be expanded by up to \$145.0 million, to a total facility amount of \$250.0 million, through additional commitments of existing or new committed lenders. Advances under our Credit Facility generally bear interest at 30-day LIBOR, plus 3.25% per annum, and our Credit Facility includes an unused fee of 0.50% on undrawn amounts. Once the revolving period ends, the interest rate margin increases to 3.75% for the period from June 26, 2017 to June 26, 2018, and further increases to 4.25% through maturity. We incurred fees of \$0.4 million in connection with this amendment.

On September 19, 2014, we further increased our borrowing capacity under our Credit Facility from \$105.0 million to \$185.0 million by entering into Joinder Agreements pursuant to our Credit Facility, by and among Business Investment, KeyBank, the Adviser and other lenders. We incurred fees of \$1.3 million in connection with this expansion.

Interest is payable monthly during the term of our Credit Facility. Available borrowings are subject to various constraints imposed under our Credit Facility, based on the aggregate loan balance pledged by Business Investment, which varies as loans are added and repaid, regardless of whether such repayments are prepayments or made as contractually required.

Our Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once a month.

Among other things, our Credit Facility contains covenants that require Business Investment to maintain its status as a separate legal entity; prohibit certain significant corporate transactions (such as mergers, consolidations, liquidations or dissolutions) and restrict material changes to our credit and collection policies without lenders' consent. The Credit Facility generally also limits distributions to be no greater than the sum of certain amounts, including, but not limited to, our net investment income, plus net capital gains, plus amounts elected by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. Business Investment is also

subject to certain limitations on the type of loan investments it can make, including restrictions on geographic concentrations, sector concentrations, loan size, payment frequency and status, average life, portfolio company leverage, and lien property. Our Credit Facility

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also requires Business Investment to comply with other financial and operational covenants, which obligate it to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of obligors required in the borrowing base of the credit agreement. Additionally, we are subject to a performance guaranty that requires us to maintain (i) a minimum net worth of \$170.0 million plus 50.0% of all equity and subordinated debt raised minus any equity or subordinated debt redeemed or retired after June 26, 2014, which equates to \$224.9 million as of June 30, 2016, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61 of the 1940 Act, and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of June 30, 2016, and as defined in the performance guaranty of our Credit Facility, we had a net worth of \$415.6 million, an asset coverage ratio with respect to senior securities representing indebtedness of 574.4%, calculated in compliance with the requirements of Sections 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. Our Credit Facility requires a minimum of 12 obligors in the borrowing base and, as of June 30, 2016, we had 29 obligors in the borrowing base. As of June 30, 2016, we were in compliance with all covenants under our Credit Facility.

Pursuant to the terms of our Credit Facility, in July 2013, we entered into an interest rate cap agreement, effective October 2013, for a notional amount of \$45.0 million. The interest rate cap agreement, which expired in April 2016, effectively limited the interest rate on a portion of the borrowings pursuant to the terms of our Credit Facility. We incurred a premium of \$75 in conjunction with this agreement, which was recorded within Net realized loss on other in our accompanying *Consolidated Statements of Operations* for the three months ended June 30, 2016 upon the expiration of the agreement.

OFF-BALANCE SHEET ARRANGEMENTS

Unlike PIK income, we generally recognize success fees as income when the payment has been received. As a result, as of June 30, 2016, we had off-balance sheet success fee receivables of \$29.9 million (or \$0.99 per common share) on our accruing debt investments that would be owed to us based on our current portfolio if fully paid off. Consistent with GAAP, we have not recognized success fee receivables and related income in our *Consolidated Financial Statements* until earned. Due to the contingent nature of our success fees, there are no guarantees that we will be able to collect any or all of these success fees or know the timing of such collections.

CONTRACTUAL OBLIGATIONS

We have lines of credit and other uncalled capital commitments to certain of our portfolio companies that have not been fully drawn. Since these lines of credit and uncalled capital commitments have expiration dates and we expect many will never be fully drawn, the total line of credit and other uncalled capital commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the combined unused lines of credit and other uncalled capital commitments as of June 30, 2016 to be immaterial.

In addition to the lines of credit and other uncalled capital commitments to our portfolio companies, we have also extended certain guaranties on behalf of one of our portfolio companies, whereby we have guaranteed an aggregate of \$2.2 million of obligations of Country Club Enterprises, LLC (CCE). As of June 30, 2016, we have not been required to make any payments on any of the guaranties, and we consider the credit risks to be remote and the fair value of the guaranties to be immaterial.

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The following table shows our contractual obligations as of June 30, 2016, at cost:

Contractual Obligations ^(A)	Total	Payments Due by Period			More than 5 Years
		Less than 1 Year	1-3 Years	3-5 Years	
Credit Facility ^(B)	\$ 79,600	\$	\$ 79,600	\$	\$
Mandatorily redeemable preferred stock	121,650	40,000			81,650
Secured borrowing	5,096			5,096	
Interest payments on obligations ^(C)	45,430	11,306	18,726	11,535	3,863
Total	\$ 251,776	\$ 51,306	\$ 98,326	\$ 16,631	\$ 85,513

- (A) Excludes unused line of credit commitments, uncalled capital commitments and guaranties to our portfolio companies in the aggregate principal amount of \$9.1 million.
- (B) Principal balance of borrowings outstanding under our Credit Facility, based on the maturity date following the current contractual revolver period end date due to the revolving nature of the facility.
- (C) Includes interest payments due on our Credit Facility, secured borrowing, and dividend obligations on each series of our mandatorily redeemable term preferred stock. The amount of interest expense calculated for purposes of this table was based upon rates and outstanding balances as of June 30, 2016. Dividend payments on our mandatorily redeemable term preferred stock assume quarterly declarations and monthly dividend payments through the date of mandatory redemption of each series.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated amounts of assets and liabilities, including disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ materially from those estimates under different assumptions or conditions. We have identified the Policy (which has been approved by our Board of Directors) as our most critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this prospectus supplement. Additionally, refer to Note 3 *Investments* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this prospectus supplement for additional information regarding fair value measurements and our application of Financial Accounting Standards Board (the FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). We have also identified our revenue recognition policy as a critical accounting policy, which is described in Note 2 *Summary of Significant Accounting Policies* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this prospectus supplement.

Investment Valuation**Credit Monitoring and Risk Rating**

The Adviser monitors a wide variety of key credit statistics that provide information regarding our portfolio companies to help us assess credit quality and portfolio performance and, in some instances, used as inputs in our

valuation techniques. Generally, we, through the Adviser, participate in periodic board meetings of our portfolio companies in which we hold board seats and also require them to provide annual audited and monthly unaudited financial statements. Using these statements or comparable information and board discussions, the Adviser calculates and evaluates certain credit statistics.

The Adviser risk rates all of our investments in debt securities. The Adviser does not risk rate our equity securities. For loans that have been rated by a SEC registered Nationally Recognized Statistical Rating Organization (NRSRO), the Adviser generally uses the average of two corporate level NRSRO s risk ratings

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for such security. For all other debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the NRSRO systems, we cannot provide any assurance that the Adviser's risk rating system will provide the same risk rating as an NRSRO for these securities. The Adviser's risk rating system is used to estimate the probability of default on debt securities and the expected loss if there is a default. The Adviser's risk rating system uses a scale of 0 to >10, with >10 being the lowest probability of default. It is the Adviser's understanding that most debt securities of medium-sized companies do not exceed the grade of BBB on an NRSRO scale, so there would be no debt securities in the middle market that would meet the definition of AAA, AA or A. Therefore, the Adviser's scale begins with the designation >10 as the best risk rating which may be equivalent to a BBB from an NRSRO; however, no assurance can be given that a >10 on the Adviser's scale is equal to a BBB or Baa2 on an NRSRO scale. The Adviser's risk rating system covers both qualitative and quantitative aspects of the business and the securities we hold.

The following table reflects risk ratings for all loans in our portfolio as of June 30, 2016 and March 31, 2016:

Rating	June 30, 2016	March 31, 2016
Highest	9.0	10.0
Average	6.0	6.0
Weighted Average	6.3	6.2
Lowest	3.0	3.0

Tax Status

We intend to continue to maintain our qualification as a RIC under Subchapter M of the Code for federal income tax purposes. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains we distribute to our stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must distribute to stockholders at least 90.0% of our Investment Company Taxable Income. Our policy generally is to make distributions to our stockholders in an amount up to 100.0% of our Investment Company Taxable Income.

In an effort to limit certain federal excise taxes imposed on RICs, we currently intend to distribute to our stockholders, during each calendar year, an amount at least equal to the sum of: (1) 98.0% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (3) any ordinary income and capital gains in excess of capital losses from preceding years that were not distributed during such years. Under the RIC Modernization Act, we are permitted to carryforward capital losses incurred in taxable years beginning after March 31, 2011, for an unlimited period. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under the Treasury regulations applicable to pre-enactment capital loss carryforwards. Our capital loss carryforward balance was \$0 and \$13.6 million as of June 30, 2016 and March 31, 2016.

Recent Accounting Pronouncements

See Note 2 *Summary of Significant Accounting Policies* in the accompanying notes to our *Consolidated Financial Statements* included elsewhere in this prospectus supplement for a description of recent accounting pronouncements.

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. See also Note 10 *Commitments and Contingencies*.

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Table of Contents**DESCRIPTION OF THE SERIES D TERM PREFERRED STOCK**

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

General

Under our Amended and Restated Certificate of Incorporation, we are authorized to issue 110,000,000 shares of stock, of which 100,000,000 are Common Stock and 10,000,000 are Preferred Stock. In February 2012, we designated 1,610,000 shares of Preferred Stock as Series A Term Preferred Stock and issued 1,600,000 of those shares. In October and November 2014, our Board took action to approve designation of 2,000,000 shares of Preferred Stock as Series B Term Preferred Stock and we issued 1,656,000 of those shares. In April 2015, our Board of Directors designated 1,700,000 shares of Preferred Stock as Series C Term Preferred Stock and we issued 1,610,000 shares of Preferred Stock as Series C Term Preferred Stock. In August 2015, our Board of Directors amended the certificates of designation of the Series A Term Preferred Stock and Series B Term Preferred Stock to decrease the number of shares of Preferred Stock designated as Series A Term Preferred Stock to 1,600,000 and decrease the number of shares of Preferred Stock designated as Series B Preferred Stock to 1,656,000. In July 2016, our Board of Directors approved the designation of 3,000,000 shares of Preferred Stock as Series D Term Preferred Stock. Terms of the Series D Term Preferred Stock are set forth in the Certificate of Designation.

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

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

Dividends and Dividend Periods*General*

The holders of the Series D Term Preferred Stock will be entitled to receive cumulative cash dividends and distributions on such shares, when, as and if declared by our Board of Directors or a duly authorized committee of our Board of Directors out of funds legally available for payment, in parity with dividends and distributions to holders of the Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock and in preference to dividends and distributions on Common Stock, calculated separately for each monthly dividend period, each a Dividend Period, for the Series D Term Preferred Stock at the Fixed Dividend Rate in effect during such Dividend

Period, on an amount equal to the Liquidation Preference for the Series D Term Preferred Stock. The Fixed Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months.

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Dividends so declared and payable will be paid to the extent permitted under state law and our Amended and Restated Certificate of Incorporation and in preference to and priority over any dividend declared and payable on Common Stock.

Fixed Dividend Rate

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

Payment of Dividends and Dividend Periods

The first Dividend Period for the Series D Term Preferred Stock will commence on the Date of Original Issue and end on and include , 2016, and each subsequent Dividend Period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series D Term Preferred Stock). Dividends will be payable monthly in arrears on the last Business Day of the Dividend Period, referred to herein as the Dividend Payment Date, and upon redemption of the Series D Term Preferred Stock. Except for the first Dividend Period, dividends with respect to any monthly Dividend Period will be declared and paid to holders of record of Series D Term Preferred Stock as their names shall appear on our registration books at the close of business on the applicable record date, which shall be such date designated by our Board of Directors that is not more than 20, nor less than seven, calendar days prior to such Dividend Payment Date. We expect that dividends with respect to the first Dividend Period of the Series D Term Preferred Stock will be declared in , 2016 and paid on , 2016 to holders of record of such Series D Term Preferred Stock as their names appear on our registration books at the close of business on , 2016.

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

Although dividends will accrue and be paid monthly, the record date for holders of Series D Term Preferred Stock entitled to receive dividend payments may vary from month-to-month. We will notify holders of the Series D Term Preferred Stock of each record date by issuance of a quarterly press release.

Mechanics of Payment of Dividends

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

Date or other payment date. We do not intend to establish any reserves for the payment of dividends.

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

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

Adjustment to Fixed Dividend Rate Default Period

Subject to the cure provisions below, a Default Period with respect to the Series D Term Preferred Stock will commence on a date we fail to deposit the Deposit Securities to redeem the Series D Term Preferred Stock in any circumstance in which redemption is required or we fail to pay a dividend on the Series D Term Preferred Stock as required as described above (either such failure, a Default). A Default Period shall end on the Business Day on which, by 12:00 noon, New York City time, an amount equal to all unpaid dividends and any unpaid redemption price shall have been deposited irrevocably in trust in same-day funds with the Redemption and Paying Agent. In the case of a Default, the applicable dividend rate for each day during the Default Period will be equal to the Default Rate. The Default Rate for any calendar day will be equal to the applicable Fixed Dividend Rate in effect on such day plus three percent (3.0%) per annum.

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

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

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

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

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

We may issue debt in one or more classes or series. Under the 1940 Act, we may not (1) declare any dividend with respect to any Preferred Stock if, at the time of such declaration (and after giving effect thereto), the Asset Coverage with respect to any of our borrowings that are senior securities representing indebtedness (as defined in the 1940 Act), would be less than 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a business development company as a condition of declaring dividends on its Preferred Stock) or (2) declare any other distribution on the Preferred Stock or purchase or redeem Preferred Stock if at the time of the declaration or redemption (and after giving effect thereto), the Asset Coverage with respect to such borrowings that are senior securities representing indebtedness would be less than 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum Asset Coverage for senior securities representing indebtedness of a business development company as a condition of declaring distributions, purchases or redemptions of its shares). Senior securities representing indebtedness generally means any bond, debenture, note or similar obligation or instrument constituting a security (other than shares of capital stock) and evidencing indebtedness and could include our obligations under any borrowings. For purposes of determining the Asset Coverage for senior securities representing indebtedness in connection with the payment of dividends or other distributions on or purchases or redemptions of stock, the term senior security does not include any promissory note or other evidence of indebtedness issued in consideration of any loan, extension or renewal thereof,

made by a bank or other person and privately arranged, and not intended to be publicly distributed. The term senior security also does not include any such promissory note or other evidence of indebtedness in any case where such

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a loan is for temporary purposes only and in an amount not exceeding 5% of the value of our total assets at the time when the loan is made; a loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 calendar days and is not extended or renewed; otherwise, such loan is presumed not to be for temporary purposes. For purposes of determining whether the 200% statutory Asset Coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Preferred Stock, such Asset Coverage may be calculated on the basis of values calculated as of a time within 48 hours (only including Business Days) next preceding the time of the applicable determination.

Asset Coverage

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

Redemption*Mandatory Term Redemption*

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

Mandatory Redemption for Asset Coverage

If we fail to have Asset Coverage of at least 200% as of the time of declaration of dividends or other distributions on the Company's common stock (other than dividends payable in shares of common stock), after deducting the amount of such dividend or other distribution, as of the time of purchase of the Company's common stock or issuance of any senior security as defined in the 1940 Act, and such failure is not cured as of the close of business on the Asset Coverage Cure Date, we will fix a redemption date and proceed to redeem the number of shares of Preferred Stock as described below at a price per share equal to the liquidation price per share of the applicable Preferred Stock, which in the case of the Series D Term Preferred Stock we refer to as the Mandatory Redemption Price and is equal to the Liquidation Preference, plus accumulated but unpaid dividends and distributions thereon (whether or not earned or

declared but excluding interest thereon) up to, but excluding, the date fixed for redemption by our Board of Directors. We will redeem out of funds legally available the number of shares of Preferred Stock (which may include at our sole option any number or proportion of Preferred Stock) equal to the lesser of (i) the minimum number of shares of Preferred Stock, the redemption of which, if deemed to have occurred immediately prior to the opening of business on the Asset Coverage Cure Date, would result in us having Asset Coverage of at least

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200% and (ii) the maximum number of shares of Preferred Stock that can be redeemed out of funds expected to be legally available in accordance with our Amended and Restated Certificate of Incorporation and applicable law, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having an Asset Coverage of up to and including 240%. We will effect a redemption on the date fixed by us, which date will not be later than 90 calendar days after the Asset Coverage Cure Date, except that if we do not have funds legally available for the redemption of all of the required number of shares of Series D Term Preferred Stock and other shares of Preferred Stock which have been designated to be redeemed or we otherwise are unable to effect such redemption on or prior to 90 calendar days after the Asset Coverage Cure Date, we will redeem those shares of Series D Term Preferred Stock and other shares of Preferred Stock which we were unable to redeem on the earliest practicable date on which we are able to effect such redemption.

Optional Redemption

On or after _____, 2018 (any such date, an Optional Redemption Date), at our sole option, we may redeem, from time to time, in whole or in part, outstanding Series D Term Preferred Stock, at a redemption price equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated up to, but excluding, the Optional Redemption Date (whether or not earned or declared by us, but excluding interest thereon), which we refer to as the Optional Redemption Price.

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

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

Change of Control

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

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

Change of Control Triggering Event means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of the our subsidiaries, taken as a whole, to any Person, other than us or one of our subsidiaries; (2) the consummation of any transaction (including any merger

or consolidation) the result of which is that any Person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is

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reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) we consolidate with, or merge with or into, any Person, or any Person consolidates with, or merges with or into, us, in any such event pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving Person or any direct or indirect parent company of the surviving Person immediately after giving effect to such transaction; or (4) the adoption of a plan relating to our liquidation or dissolution. Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control Triggering Event under clause (2) above if (i) we become a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of our Voting Stock immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

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

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

Redemption Procedures

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

If we shall determine or be required to redeem, in whole or in part, shares of Series D Term Preferred Stock, we will deliver a notice of redemption, or a Notice of Redemption, by overnight delivery, by first class mail, postage prepaid or by electronic means to the holders of record of such shares of Series D Term Preferred Stock to be redeemed, or request the Redemption and Paying Agent, on our behalf, to promptly do so by overnight delivery, by first class mail or by electronic means. A Notice of Redemption will be provided not more than 45 calendar days prior to the Redemption Date; provided, however, that, in the event of a Change of Control Redemption, the Notice of Redemption will, if mailed prior to the date of consummation of the Change of Control Triggering Event, state that the Change of Control Redemption is conditioned on the Change of Control Triggering Event occurring and, provided further, that if, by the date that is three Business Days prior to the date fixed for redemption in such Notice of Redemption, the Change of Control Triggering Event shall not have occurred, the Redemption Date shall be extended until a date that is no more than three Business Days after the date on which the Change of Control Triggering Event occurs. If fewer than all of the outstanding shares of Series D Term Preferred Stock are to be redeemed pursuant to either the Asset Coverage mandatory redemption provisions or the optional redemption provisions, the shares of Series D Term Preferred Stock to be redeemed will be selected either (1) pro rata among Series D Term Preferred Stock, (2) by lot or (3) in such other manner as our Board of Directors may determine to be fair and equitable. If fewer than all shares of Series D Term Preferred Stock held by any holder are to be redeemed, the Notice of Redemption mailed to such holder shall also specify the number of shares of Series D Term Preferred Stock to be redeemed from such holder or the method of determining such number. We may provide in any Notice of Redemption relating to a redemption contemplated to be effected pursuant to the Certificate of Designation that such redemption is subject to one or more conditions precedent and that we will not be required to effect such redemption unless each such

condition has been satisfied. No defect in any Notice of Redemption or delivery thereof will affect the validity of redemption proceedings except as required by applicable law.

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

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

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

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

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Liquidation Rights

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

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

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

Voting Rights

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

In addition, the holders of outstanding shares of any Preferred Stock, including the Series D Term Preferred Stock, will be entitled, as a class, to the exclusion of the holders of all other securities and the Common Stock, to elect two of our directors at all times (regardless of the total number of directors serving on the Board of Directors). We refer to these directors as the Preferred Directors. The holders of outstanding shares of Common Stock and Preferred Stock, including Series D Term Preferred Stock, voting together as a single class, will elect the balance of our directors. Under our bylaws, our directors are divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. At each annual meeting of our stockholders, the successors to the class of directors whose term expires at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. One of the Preferred Directors was elected in 2014, and another Preferred Director was elected in 2015.

In the event we owe accumulated dividends (whether or not earned or declared) on our Preferred Stock equal to at least two full years of dividends (and sufficient cash or securities have not been deposited with a paying agent

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for the payment of the accumulated dividends), the number of directors constituting the board will be increased by the smallest number of directors, which we refer to as the New Preferred Directors, that when added to the Preferred Directors will constitute a majority of the Board of Directors. We will then call a special meeting of holders of the Preferred Stock to permit the election of the New Preferred Directors. The term of the New Preferred Directors will last for so long as we are in arrears on our dividends as described above. The ability of the holders of Preferred Stock to elect the New Preferred Directors will also terminate, subject to reinstatement, once we have a Dividend Payment Date on which we are no longer in arrears on our dividends to the extent described above.

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

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

Except as otherwise permitted by the terms of the Certificate of Designation, (a) so long as any shares of Series D Term Preferred Stock are outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of shares of Series D Term Preferred Stock, voting as a separate class, amend, alter or repeal the provisions

of the Amended and Restated Certificate of Incorporation or the Certificate of Designation, whether by merger, consolidation or otherwise, so as to materially and adversely affect any preference, right or power of

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

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

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

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

Unless otherwise required by law or our Amended and Restated Certificate of Incorporation, holders of Series D Term Preferred Stock will not have any relative rights or preferences or other special rights with respect to voting other than those specifically set forth in the *Voting Rights* section of the Certificate of Designation. The holders of shares of Series D Term Preferred Stock will have no rights to cumulative voting. In the event that we fail to declare or pay any

dividends on Series D Term Preferred Stock, the exclusive remedy of the holders will be the right to vote for additional directors as discussed above; provided that the foregoing does not affect our obligation to accumulate and, if permitted by applicable law and the Certificate of Designation, pay dividends at the Default Rate as discussed above.

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Issuance of Additional Preferred Stock

So long as any shares of Series D 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 D 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 D 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%.

Actions on Other than Business Days

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

Modification

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

Information Rights

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

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Janney Montgomery Scott LLC, J.J.B. Hilliard, W.L. Lyons, LLC, Ladenburg Thalmann & Co. Inc., Wunderlich Securities, Inc., William Blair & Company, L.L.C. and Maxim Group LLC are the underwriters of this offering. Subject to the terms and conditions of the underwriting agreement dated _____, 2016, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of Series D Term Preferred Stock set forth opposite their respective names below at the public offering price less the underwriting discounts and commissions on the cover page of this prospectus supplement.

	Number of Shares
Underwriters	
Janney Montgomery Scott LLC	
J.J.B. Hilliard, W.L. Lyons, LLC	
Ladenburg Thalmann & Co. Inc.	
Wunderlich Securities, Inc.	
William Blair & Company, L.L.C.	
Maxim Group LLC	
Total	

Janney Montgomery Scott LLC is acting as sole book-running manager of this offering and as representative of the underwriters named above.

The underwriting agreement provides that obligations of the underwriters to purchase the Series D Term Preferred Stock that are being offered are subject to the approval of certain legal matters by counsel to the underwriters and to certain other conditions. Each underwriter is obligated to purchase all of the Series D Term Preferred Stock set forth opposite its name in the table above if it purchases any of the Series D Term Preferred Stock.

The underwriters propose to offer some of the Series D Term Preferred Stock to the public initially at the offering price per share shown on the cover page of this prospectus supplement and may offer shares to certain dealers at such price less a concession not in excess of \$ _____ per share. Investors must pay for shares purchased in this offering on or before _____, 2016. After the public offering of the Series D Term Preferred Stock, the public offering price and concessions described above may be changed by the underwriters.

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

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

	Per share		Total	
	Without Overallotment	With Overallotment	Without Overallotment	With Overallotment
Public offering price	\$ 25.00	\$ 25.00	\$	\$
Underwriting discounts and commissions paid by us (% of the public offering price)	\$	\$	\$	\$
Proceeds to us, before expenses	\$	\$	\$	\$

We estimate that expenses payable by us in connection with this offering, other than underwriting discounts and commissions referred to above but including reimbursement of fees of underwriters' counsel in connection with the Financial Industry Regulatory Authority clearing process, will be approximately \$.

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

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

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

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

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that these transactions may have on the market price of the Series D Term Preferred Stock. In addition, we and the underwriters

make no representation that the underwriters will engage in such transactions or that such transactions, if and when commenced, will not be discontinued without notice.

Each underwriter does not intend to confirm sales of the Series D Term Preferred Stock to any accounts over which it exercises discretionary authority.

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The underwriting agreement provides that we will not, directly or indirectly, sell or otherwise dispose of any shares of the Series D Term Preferred Stock, for a period of 60 days after the date of this prospectus supplement without the prior written consent of Janney Montgomery Scott LLC, on behalf of the underwriters. The underwriting agreement also provides that our directors and executive officers will agree not to, directly or indirectly, sell or otherwise dispose of any of the Series D Term Preferred Stock, Series A Term Preferred Stock, Series B Term Preferred Stock or shares of our Common Stock for a period of 60 days after the date of this prospectus without the prior written consent of Janney Montgomery Scott LLC, on behalf of the underwriters.

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

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

We have applied to list the Series D Term Preferred Stock on NASDAQ, under the symbol `GAINM`. Trading on the Series D Term Preferred Stock is expected to begin within 30 days after the date of the prospectus supplement. Our Common Stock is traded on NASDAQ under the symbol `GAIN`, our Series A Term Preferred Stock is traded on NASDAQ under the symbol `GAINP`, our Series B Term Preferred Stock is traded on NASDAQ under symbol `GAINO` and our Series C Term Preferred Stock is traded on NASDAQ under symbol `GAINN`.

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

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

Affiliations and Conflicts of Interest

The underwriters and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment

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management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. Affiliates of certain of the underwriters serve as lenders under the Credit Facility and may serve as lenders under any future credit facilities. Affiliates of the underwriters may receive part of the proceeds of the offering by reason of the repayment of certain amounts outstanding under the Credit Facility.

In the ordinary course of their various business activities, the underwriters and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the account of their customers, and such investment and securities activities may involve our securities and/or instruments. The underwriters and certain of their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The principal business address of Janney Montgomery Scott LLC is 1717 Arch Street, Philadelphia, PA 19103. The principal business address of J.J.B. Hilliard, W.L. Lyons, LLC is 500 W. Jefferson Street, Louisville, KY 40202. The principal business address of Ladenburg Thalmann & Co. Inc. is 570 Lexington Avenue, 12th Floor, New York, NY 10022. The principal business address of Wunderlich Securities, Inc. is 6000 Poplar Avenue, Suite 150, Memphis, TN 38119. The principal business address of William Blair & Company, L.L.C. is 222 West Adams Street, Chicago, Illinois 60606. The principal business address of Maxim Group LLC is 405 Lexington Avenue, 2nd Floor, New York, NY 10174.

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

This summary supplements the discussion in the accompanying prospectus under the caption *Material U.S. Federal Income Tax Considerations Taxation of Our U.S. Stockholders*.

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

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

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

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

The Internal Revenue Service currently requires that a RIC that has two or more classes of stock allocate to each class proportionate amounts of each type of its income (such as ordinary income, capital gains, qualified dividend income and dividends qualifying for the dividends-received deduction) based upon the percentage of total dividends paid to each class for the tax year. Accordingly, we intend to allocate capital gain distributions and distributions of qualified dividend income and distributions qualifying for the dividends-received deduction, if any, between our common shares and preferred shares in proportion to the total distributions paid to each class with respect to such tax year.

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

The custodian of our assets is The Bank of New York Mellon Corp. The custodian's address is: 500 Ross Street, Suite 625, Pittsburgh, PA 15262. Our assets are held under bank custodianship in compliance with the 1940 Act. Securities held through our wholly owned subsidiary, Gladstone Business Investment, LLC, or Business Investment, are held under a custodian agreement with The Bank of New York Mellon Corp., which acts as collateral custodian pursuant to the Credit Facility with Key Equipment Finance Inc. and certain other parties. The address of the collateral custodian is 500 Ross Street, Suite 625, Pittsburgh, PA 15262. Computershare Inc. acts as our transfer, redemption and dividend paying agent and registrar. The principal business address of Computershare Inc. is 250 Royall Street, Canton, Massachusetts 02021, telephone number 781-575-2000. Computershare Inc. also maintains an internet website at www.computershare.com.

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

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and are required to file reports, proxy statements and other information with the SEC. These documents may be inspected and copied for a fee at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549.

This prospectus supplement and the accompanying prospectus do not contain all of the information in our registration statement, including amendments, exhibits and schedules. Statements in this prospectus supplement and in the accompanying prospectus about the contents of any contract or other document are not necessarily complete and, in each instance, reference is made to the copy of the contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by this reference.

Additional information about the Company and the Preferred Stock may be found in our registration statement on Form N-2 (including the related amendments, exhibits and schedules) filed with the SEC. The SEC maintains a web site (<http://www.sec.gov>) that contains our registration statement, other documents incorporated by reference in the registration statement and other information that we have filed electronically with the SEC, including proxy statements and reports filed under the Exchange Act.

LEGAL MATTERS

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

EXPERTS

The financial statements as of March 31, 2016 and March 31, 2015 and for each of the three years in the period ended March 31, 2016 and management's assessment of the effectiveness of internal control over financial reporting (which is included in the Report of Management on Internal Controls) as of March 31, 2016 included in the accompanying prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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<u>Consolidated Statements of Operations for the three months ended June 30, 2016 and 2015</u>	S-F-3
<u>Consolidated Statements of Changes in Net Assets for the three months ended June 30, 2016 and 2015</u>	S-F-4
<u>Consolidated Statements of Cash Flows for the three months ended June 30, 2016 and 2015</u>	S-F-5
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Table of Contents**GLADSTONE INVESTMENT CORPORATION****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES****(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)****(UNAUDITED)**

	June 30, 2016	March 31, 2016
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$200,094 and \$191,757, respectively)	\$ 196,486	\$ 180,933
Affiliate investments (Cost of \$300,757 and \$304,856, respectively)	276,676	296,723
Control investments (Cost of \$21,512 and \$21,512 respectively)	17,819	10,000
Total investments at fair value (Cost of \$522,363 and \$518,125, respectively)	490,981	487,656
Cash and cash equivalents	5,233	4,481
Restricted cash and cash equivalents	1,384	1,107
Interest receivable	2,766	2,790
Due from custodian	1,149	1,638
Deferred financing costs, net	959	1,147
Other assets, net	4,567	4,256
TOTAL ASSETS	\$ 507,039	\$ 503,075
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$79,600 and \$95,000, respectively)	\$ 79,600	\$ 95,000
Secured borrowing	5,096	5,096
Total borrowings	84,696	100,096
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 4,956,000 shares authorized; 4,866,000 shares issued and outstanding, net	118,683	118,465
Accounts payable and accrued expenses	828	1,054
Fees due to Adviser (A)	2,111	1,912
Fee due to Administrator (A)	299	311
Other liabilities	2,542	2,215
TOTAL LIABILITIES	\$ 209,159	\$ 224,053
Commitments and contingencies (B)		
NET ASSETS	\$ 297,880	\$ 279,022
ANALYSIS OF NET ASSETS		
	30	\$ 30

Common stock, \$0.001 par value per share, **100,000,000** shares authorized, **30,270,958** shares issued and outstanding

Capital in excess of par value	311,493	311,608
Cumulative net unrealized depreciation of investments	(31,382)	(30,469)
Cumulative net unrealized depreciation of other		(75)
Net investment income in excess of distributions	7,603	6,426
Accumulated net realized gain (loss)	10,136	(8,498)
TOTAL NET ASSETS	\$ 297,880	\$ 279,022
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 9.84	\$ 9.22

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

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
INVESTMENT INCOME		
Interest income:		
Non-Control/Non-Affiliate investments	\$ 4,505	\$ 3,802
Affiliate investments	6,914	6,924
Control investments	209	659
Total interest income	11,628	11,385
Other income:		
Non-Control/Non-Affiliate investments	15	1,321
Affiliate investments	2,750	
Total other income	2,765	1,321
Total investment income	14,393	12,706
EXPENSES		
Base management fee (A)	2,509	2,453
Loan servicing fee (A)	1,681	1,559
Incentive fee (A)	1,700	1,291
Administration fee (A)	299	355
Interest expense on borrowings	971	1,064
Dividends on mandatorily redeemable preferred stock	2,065	1,767
Amortization of deferred financing costs and discounts	481	460
Professional fees	192	442
Other general and administrative expenses	201	556
Expenses before credits from Adviser	10,099	9,947
Credit to base management fee loan servicing fee (A)	(1,681)	(1,559)
Credit to fees from Adviser other (A)	(837)	(845)
Total expenses, net of credits to fees	7,581	7,543
NET INVESTMENT INCOME	\$ 6,812	\$ 5,163

REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain (loss):		
Non-Control/Non-Affiliate investments	(153)	
Affiliate investments	18,789	
Control investments	(1)	199
Other	(75)	
Total net realized gain	18,560	199
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	7,217	6,508
Affiliate investments	(15,949)	(3,201)
Control investments	7,819	(110)
Other	75	
Total net unrealized (depreciation) appreciation	(838)	3,197
Net realized and unrealized gain	17,722	3,396
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 24,534	\$ 8,559
BASIC AND DILUTED PER COMMON SHARE:		
Net investment income	\$ 0.23	\$ 0.17
Net increase in net assets resulting from operations	\$ 0.81	\$ 0.28
Distributions	\$ 0.19	\$ 0.19
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:		
Basic and diluted	30,270,958	30,260,079

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
OPERATIONS		
Net investment income	\$ 6,812	\$ 5,163
Net realized gain on investments	18,635	199
Net realized loss on other	(75)	
Net unrealized (depreciation) appreciation of investments	(913)	3,197
Net unrealized appreciation of other	75	
Net increase in net assets from operations	24,534	8,559
DISTRIBUTIONS		
Distributions to common stockholders	(5,676)	(5,676)
Net decrease in net assets from distributions	(5,676)	(5,676)
CAPITAL ACTIVITY		
Issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Net increase in net assets from capital activity		3,442
TOTAL INCREASE IN NET ASSETS	18,858	6,325
NET ASSETS, BEGINNING OF PERIOD	279,022	273,429
NET ASSETS, END OF PERIOD	\$ 297,880	\$ 279,754

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 24,534	\$ 8,559
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(28,976)	(17,326)
Principal repayments of investments	15,411	5,233
Net proceeds from the sale of investments	27,531	315
Net realized gain on investments	(18,654)	(215)
Net realized loss on other	75	
Net unrealized depreciation (appreciation) of investments	913	(3,197)
Net unrealized appreciation of other	(75)	
Amortization of deferred financing costs and discounts	481	460
Bad debt expense, net of recoveries	(18)	225
Changes in assets and liabilities:		
Increase in restricted cash and cash equivalents	(277)	(695)
Decrease (increase) in interest receivable	24	(134)
Decrease in due from custodian	489	544
Decrease (increase) in other assets, net	157	(590)
(Decrease) increase in accounts payable and accrued expenses	(226)	842
Increase in fees due to Adviser (A)	199	308
(Decrease) increase in fee due to Administrator (A)	(12)	93
Increase (decrease) in other liabilities	327	(515)
Net cash provided by (used in) operating activities	21,903	(6,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Proceeds from line of credit	31,100	38,500
Repayments on line of credit	(46,500)	(67,550)
Proceeds from issuance of mandatorily redeemable preferred stock		40,250
Deferred financing and offering costs	(75)	(1,712)
Distributions paid to common stockholders	(5,676)	(5,676)
Net cash (used in) provided by financing activities	(21,151)	7,254

NET INCREASE IN CASH AND CASH EQUIVALENTS	752	1,161
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,481	4,921
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,233	\$ 6,082
CASH PAID FOR INTEREST	\$ 913	\$ 974

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS (N) :					
Auto Safety House, LLC	Automobile	Secured First Lien Line of Credit, \$1,000 available (8.0%, Due 10/2019) (I)(Q)	\$	\$	\$
		Secured First Lien Term Debt (8.0%, Due 10/2019) (I)(Q)	5,000	5,000	5,362
				5,000	5,362
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$400 available (6.7% (0.8% Unused Fee), Due 12/2016) (L)	3,600	3,600	3,600
		Secured First Lien Term Debt (12.0%, Due 12/2019) (L)	6,433	6,443	2,378
		Secured First Lien Term Debt (12.0%, Due 12/2019) (L)	840	840	
		Preferred Stock (2,500 shares) (C)(L)		2,516	
		Common Stock (2,500 shares) (C)(L)		300	
				13,699	5,978
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017) (L)	4,000	4,000	4,000
		Preferred Stock (7,245,681 shares) (C)(L)		7,725	6,719
		Guaranty (\$2,000) (D)			
		Guaranty (\$211) (D)			
				11,725	10,719

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Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020) (K)	13,000	13,000	13,065
		Common Stock Warrants (8% ownership) (C)(L)		500	2,000
				13,500	15,065
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017) (L)	9,913	9,913	9,913
		Preferred Stock (34,045 shares) (C)(L)		3,375	3,654
		Common Stock (5,372 shares) (C)(L)		63	7,627
				13,351	21,194
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2017) (L)	10,500	10,500	10,500
		Preferred Stock (1,373 shares) (C)(L)		1,373	1,413
		Common Stock (152 shares) (C)(L)		152	9,313
				12,025	21,226
Funko Acquisition Holdings, LLC (M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) (C)(L)		260	326
		Common Stock (975 units) (C)(L)			
				260	326
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2021) (H)(L)	13,300	13,300	13,300
		Preferred Stock (19,280 shares) (C)(L)		9,583	5,816
		Common Stock (63,747 shares) (C)(L)		8	
				22,891	19,116
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due 4/2018) (L)	11,000	11,000	11,000
				3,556	4,560

Preferred Stock (3,556 shares) (C)(L)		
Common Stock (548 shares) (C)(L)	94	3,736

	14,650	19,296
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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
Mathey Investments, Inc.	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Secured First Lien Term Debt (10.0%, Due 3/2018) (L)	1,375	1,375	1,375
		Secured First Lien Term Debt (12.0%, Due 3/2018) (L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018) (E)(I)(L)	3,500	3,500	3,500
		Common Stock (29,102 shares) (C)(L)		777	
				9,379	8,602
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 3/2018) (I)(K)	13,560	13,560	6,408
		Preferred Stock (27,900 shares) (C)(L)		2,790	
		Common Stock (27,900 shares) (C)(L)		28	
					16,378
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020) (L)	\$ 13,290	\$ 13,290	\$ 13,290
		Preferred Stock (5,660 units) (C)(L)		5,660	9,115
				18,950	22,405
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares) (C)(L)		3,397	4,359

				3,397	4,359
SBS Industries, LLC	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Secured First Lien Term Debt (14.0%, Due 8/2019) (L)	11,355	11,355	11,355
		Preferred Stock (19,935 shares) (C)(L)		1,994	
		Common Stock (221,500 shares) (C)(L)		222	
				13,571	11,355
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018) (L)	13,081	13,081	13,081
		Preferred Stock (4,000 shares) (C)(L)		4,000	5,273
				17,081	18,354
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018) (E)(K)	5,000	5,000	4,675
		Preferred Stock (1,499 shares) (C)(L)		1,499	
		Common Stock (600 shares) (C)(L)		1	
				6,500	4,675
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, \$634 available (12.5%, Due 2/2018) (G)(L)	3,216	3,216	2,046
		Preferred Stock (12,998,639 shares) (C)(L)		3,768	
		Common Stock (10,089,048 shares) (C)(L)		753	
				7,737	2,046
Total Non-Control/Non-Affiliate Investments (represents 40.0% of total investments at fair value)				\$ 200,094	\$ 196,486

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
AFFILIATE INVESTMENTS (O) :					
Alloy Die Casting Co. (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018) (K)	\$ 12,215	\$ 12,215	\$ 11,543
		Secured First Lien Term Debt (13.5%, Due 4/2017) (J)	175	175	175
		Preferred Stock (4,064 shares) (C)(L)		4,064	580
		Common Stock (630 shares) (C)(L)		41	
				16,495	12,298
Behrens Manufacturing, LLC (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.0%, Due 12/2018) (L)	9,975	9,975	9,975
		Preferred Stock (2,923 shares) (C)(L)		2,922	9,890
				12,897	19,865
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020) (L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares) (C)(L)		4,943	7,546
				16,250	18,853
B+T Group Acquisition Inc. (M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019) (K)	14,000	14,000	13,230
		Preferred Stock (12,841 shares) (C)(L)		4,196	
				18,196	13,230

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Cambridge Sound Management, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (13.0%, Due 9/2019) (L)	15,000	15,000	15,000
		Preferred Stock (4,500 shares) (C)(L)		4,500	11,806
				19,500	26,806
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) (C)(L)		2,789	582
		Common Stock (2,319,184 shares) (C)(L)			
				2,789	582
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$1,000 available (12.8% (1.0% Unused Fee), Due 3/2017) (L)	\$	\$	\$
		Secured First Lien Term Debt (12.8%, Due 3/2020) (L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020) (L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares) (C)(L)		6,995	6,698
				30,495	30,198
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Line of Credit, \$550 available (4.0% (0.5% Unused Fee), Due 8/2017) (I)(L)	4,000	4,000	4,000
		Secured First Lien Term Debt (4.0%, Due 8/2017) (I)(L)	2,575	2,575	2,575
		Secured First Lien Term Debt (4.0%, Due 8/2017) (I)(L)	8,795	8,795	918
		Secured First Lien Term Debt (5.2%, Due 8/2017) (E)(L)	1,150	1,150	
		Preferred Stock (25 shares) (C)(L)		2,500	
		Common Stock (1,241 shares) (C)(L)			3
				19,023	7,493

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
Edge Adhesives Holdings, Inc. (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019) (K)	9,300	9,300	8,975
		Secured First Lien Term Debt (13.8%, Due 2/2019) (K)	2,400	2,400	2,322
		Preferred Stock (3,774 units) (C)(L)		3,774	
				15,474	11,297
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020) (L)	15,000	15,000	15,000
		Preferred Stock (5,150 units) (C)(L)		5,150	5,919
				20,150	20,919
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019) (L)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) (C)(L)		4,000	5,082
				13,050	14,132
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020) (L)	9,200	9,200	9,200
		Preferred Stock (1,550 shares) (C)(L)		1,550	4,704
				10,750	13,904
Meridian Rack & Pinion, Inc. (M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018) (K)	9,660	9,660	8,646
				3,381	603

Preferred Stock (3,381
shares) (C)(L)

				13,041	9,249
The Mountain Corporation	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured Second Lien Term Debt (13.5%, Due 8/2021) (J)	18,600	18,600	18,600
		Preferred Stock (6,899 shares) (C)(J)		6,899	6,899
		Common Stock (751 shares) (C)(J)		1	1
				25,500	25,500
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares) (C)(L)		3,600	
		Common Stock (545 shares) (C)(L)			
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019) (L)	15,770	15,770	15,770
		Preferred Stock (6,180 shares) (C)(L)		6,180	2,549
				21,950	18,319
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020) (L)	9,618	9,618	9,618
		Preferred Stock (37,391 shares) (C)(L)		3,739	1,682
		Common Stock (90,909 shares) (C)(L)		91	
				13,448	11,300
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017) (L)	\$ 6,200	\$ 6,200	\$ 6,200
		Secured First Lien Term Debt (14.8%, Due 10/2017) (L)	12,200	12,200	12,200
		Preferred Stock (9,749 shares) (C)(L)		9,749	4,331
				28,149	22,731
Total Affiliate Investments (represents 56.4% of total investments at fair value)				\$ 300,757	\$ 276,676

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

JUNE 30, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
CONTROL INVESTMENTS (P) :					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, \$0 available (6.5% (1.0% Unused Fee), Due 9/2016) (L)	\$ 5,000	\$ 5,000	\$ 5,000
		Secured Second Lien Term Debt (10.0%, Due 8/2017) (L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares) (C)(L)		11,464	7,819
		Common Stock (88,843 shares) (C)(L)		48	
				21,512	17,819
Total Control Investments (represents 3.6% of total investments at fair value)				\$ 21,512	\$ 17,819
TOTAL INVESTMENTS				\$ 522,363	\$ 490,981

(A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$458.4 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, all of our investments are considered qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of June 30, 2016. Under the 1940 Act, we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.

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

(C) Security is non-income producing.

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

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

(F)

Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.

- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as secured borrowing on our accompanying *Consolidated Statement of Assets and Liabilities* as of June 30, 2016.
- (I) Debt security has a fixed interest rate.
- (J) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended June 30, 2016 best represents fair value as of June 30, 2016.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS (N) :					
Auto Safety House, LLC	Automobile	Secured First Lien Line of Credit, \$1,000 available (8.0%, Due 10/2019) (I)(Q)	\$	\$	\$
		Secured First Lien Term Debt (8.0%, Due 10/2019) (I)(Q)	5,000	5,000	5,311
				5,000	5,311
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$500 available (6.7% (0.8% Unused Fee), Due 12/2016) (L)	3,500	3,500	3,500
		Secured First Lien Term Debt (12.0%, Due 12/2019) (L)	6,433	6,443	1,191
		Secured First Lien Term Debt (12.0%, Due 12/2019) (L)	840	840	
		Preferred Stock (2,500 shares) (C)(L)		2,516	
		Common Stock (2,500 shares) (C)(L)		300	
				13,599	4,691
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017) (L)	4,000	4,000	4,000
		Preferred Stock (7,245,681 shares) (C)(L)		7,725	5,313
		Guaranty (\$2,000) (D)			
		Guaranty (\$279) (D)			
				11,725	9,313
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020) (K)	13,000	13,000	12,984
		Common Stock Warrants (6.0% ownership) (C)(L)			1,500
				13,000	14,484
Drew Foam Company, Inc.	Chemicals, Plastics, and	Secured First Lien Term Debt (13.5%, Due 8/2017) (L)	9,913	9,913	9,913

Rubber					
		Preferred Stock (34,045 shares) (C)(L)		3,375	3,583
		Common Stock (5,372 shares) (C)(L)		63	6,459
				13,351	19,955
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2017) (L)	10,500	10,500	10,500
		Preferred Stock (1,373 shares) (C)(L)		1,373	1,386
		Common Stock (152 shares) (C)(L)		152	8,222
				12,025	20,108
Funko Acquisition Holdings, LLC (M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) (C)(L)		260	315
		Common Stock (975 units) (C)(L)			
				260	315
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2018) (H)(L)	13,300	13,300	13,300
		Preferred Stock (19,280 shares) (C)(L)		9,583	4,813
		Common Stock (63,747 shares) (C)(L)		8	
				22,891	18,113
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due 4/2018) (L)	11,000	11,000	11,000
		Preferred Stock (3,556 shares) (C)(L)		3,556	4,471
		Common Stock (548 shares) (C)(L)		94	934
				14,650	16,405
Mathey Investments, Inc.	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Secured First Lien Term Debt (10.0%, Due 3/2018) (L)	1,375	1,375	1,375
		Secured First Lien Term Debt (12.0%, Due 3/2018) (L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018) (E)(I)(L)	3,500	3,500	3,500

Common Stock (29,102 shares) (C)(L)	777	54
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	9,379	8,656
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value	
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 10/2016) (I)(K)	13,560	13,560	5,082	
		Preferred Stock (27,900 shares) (C)(L)		2,790		
		Common Stock (27,900 shares) (C)(L)			28	
					16,378	5,082
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020) (L)	13,290	13,290	13,290	
		Preferred Equity (5,660 units) (C)(L)		5,660	7,712	
				18,950	21,002	
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares) (C)(L)	\$	\$ 3,397	\$ 4,359	
				3,397	4,359	
SBS Industries, LLC	Machinery (Nonagriculture, Nonconstruction, Nonelectronic)	Secured First Lien Term Debt (14.0%, Due 8/2019) (L)	11,355	11,355	11,355	
		Preferred Stock (19,935 shares) (C)(L)		1,994		
		Common Stock (221,500 shares) (C)(L)			222	
				13,571	11,355	
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018) (L)	13,081	13,081	13,081	
		Preferred Stock (4,000 shares) (C)(L)		4,000	4,103	

				17,081	17,184
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018) (E)(K)	5,000	5,000	4,600
		Preferred Stock (1,499 shares) (C)(L)		1,499	
		Common Stock (600 shares) (C)(L)		1	
				6,500	4,600

Total Non-Control/Non-Affiliate Investments (represents 37.1% of total investments at fair value) **\$ 191,757** **\$ 180,933**

AFFILIATE INVESTMENTS (O) :

Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (11.5%, Due 3/2020) (D)(Q)	\$14,500	\$ 14,500	\$ 14,500
		Preferred Stock (965,982 shares) (C)(Q)		7,956	22,337
		Common Stock (549,908 shares) (C)(Q)		1,197	4,201
		Common Stock Warrants (465,639 shares) (C)(Q)		25	3,856
				23,678	44,894

Alloy Die Casting Corp. (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018) (K)	12,215	12,215	11,390
		Preferred Stock (4,064 shares) (C)(L)		4,064	612
		Common Stock (630 shares) (C)(L)		41	
				16,320	12,002

Behrens Manufacturing, LLC (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.0%, Due 12/2018) (L)	9,975	9,975	9,975
		Preferred Stock (2,923 shares) (C)(L)		2,922	8,593
				12,897	18,568

Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020) (L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares) (C)(F)(L)		4,943	5,267
				16,250	16,574

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
B+T Group Acquisition, Inc. (M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019) (L)	14,000	14,000	14,000
		Preferred Stock (12,841 shares) (C)(L)		4,196	
				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishing, Housewares and Durable Consumer Products	Secured First Lien Term Debt (13.0%, Due 9/2019) (L)	15,000	15,000	15,000
		Preferred Stock (4,500 shares) (C)(L)		4,500	12,835
				19,500	27,835
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,319 shares) (C)(L)		2,938	989
		Common Stock (2,319,184 shares) (C)(L)			
				2,938	989
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$1,000 available (12.8% (1% Unused Fee), Due 3/2017) (L)			
		Secured First Lien Term Debt (12.8%, Due 3/2020) (L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020) (L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares) (C)(L)		6,995	5,399
				30,495	28,899
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Line of Credit, \$550 available (4.0% (0.5% Unused Fee), Due	\$ 4,000	\$ 4,000	\$ 4,000

		8/2017) (I)(L)			
		Secured First Lien Term Debt (4.0%, Due 8/2017) (I)(L)	2,575	2,575	2,575
		Secured First Lien Term Debt (4.0%, Due 8/2017) (I)(L)	8,795	8,795	2,073
		Secured First Lien Term Debt (5.2%, Due 8/2017) (E)(L)	1,150	1,150	
		Preferred Stock (25 shares) (C)(L)		2,500	
		Common Stock (1,241 shares) (C)(L)		3	
				19,023	8,648
Edge Adhesives Holdings, Inc. (M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019) (K)	9,300	9,300	8,928
		Secured First Lien Term Debt (13.8%, Due 2/2019) (K)	2,400	2,400	2,310
		Preferred Stock (3,774 units) (C)(L)		3,774	
				15,474	11,238
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020) (L)	15,000	15,000	15,000
		Preferred Stock (5,150 units) (C)(L)		5,150	5,672
				20,150	20,672
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019) (L)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) (C)(L)		4,000	
				13,050	9,050
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020) (L)	9,200	9,200	9,200
		Preferred Stock (1,550 shares) (C)(L)		1,550	2,795
				10,750	11,995
Meridian Rack & Pinion, Inc. (M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018) (K)	9,660	9,660	8,791
		Preferred Stock (3,381 shares) (C)(L)		3,381	988
				13,041	9,779

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company (A)	Industry	Investment (B)(F)	Principal	Cost	Fair Value
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares) (C)(L)		3,600	
		Common Stock (545 shares) (C)(L)			
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019) (L)	15,770	15,770	15,770
		Preferred Stock (6,180 shares) (C)(L)		6,180	4,159
				21,950	19,929
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020) (L)	9,618	9,618	9,618
		Preferred Stock (37,391 shares) (C)(L)		3,739	3,922
		Common Stock (90,909 shares) (C)(L)		91	
				13,448	13,540
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017) (L)	6,200	6,200	6,200
		Secured First Lien Term Debt (14.8%, Due 10/2017) (L)	12,200	12,200	12,200
		Preferred Stock (9,749 shares) (C)(L)		9,749	7,747
				28,149	26,147
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, \$2,424 available (12.5%, Due 2/2018) (G)(L)	1,426	1,426	1,426
		Preferred Stock (12,998,639 shares) (C)(L)		3,768	538

Common Stock (10,089,048 shares) (C)(L)	753
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		5,947	1,964		
Total Affiliate Investments (represents 60.8% of total investments at fair value)		\$ 304,856	\$ 296,723		
CONTROL INVESTMENTS (P):					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, \$0 available (6.5% (1.0% Unused Fee), Due 9/2016) (L)	\$ 5,000	\$ 5,000	\$ 5,000
		Secured Second Lien Term Debt (10.0%, Due 8/2017) (L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares) (C)(L)		11,464	
		Common Stock (88,843 shares) (C)(L)		48	
				21,512	10,000
Total Control Investments (represents 2.1% of total investments at fair value)		\$ 21,512	\$ 10,000		
TOTAL INVESTMENTS (R)		\$ 518,125	\$ 487,656		

- (A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$461.4 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, all of our investments are considered qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of March 31, 2016. Under the 1940 Act, we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (B) Percentages represent the weighted average cash interest rates in effect at March 31, 2016, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.
- (C) Security is non-income producing.
- (D) Refer to Note 10 *Commitments and Contingencies* for additional information regarding these guaranties.
- (E) Last Out Tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT generally is paid after the other secured first lien debt but before the secured second lien debt.
- (F) Where applicable, aggregates all shares of such class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of such class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as secured borrowing on our accompanying *Consolidated Statement of Assets and Liabilities* as of March 31, 2016.
- (I) Debt security has a fixed interest rate.
- (J) Reserved.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Cumulative gross unrealized depreciation for federal income tax purposes is \$86.2 million; cumulative gross unrealized appreciation for federal income tax purposes is \$60.4 million. Cumulative net unrealized depreciation is \$25.8 million, based on a tax cost of \$513.5 million.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**JUNE 30, 2016****(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA AND AS OTHERWISE INDICATED)****NOTE 1. ORGANIZATION**

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*Unaudited Interim Financial Statements and Basis of Presentation*

We prepare our interim financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of SEC Regulation S-X under the Securities Exchange Act of 1934, as amended. Accordingly, we have not included in this quarterly report all of the information and notes required by GAAP for annual financial statements. The accompanying *Consolidated Financial Statements* include our accounts and those of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been

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eliminated. In accordance with Article 6 of Regulation S-X, under the Securities Act of 1933, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries. In our opinion, all adjustments, consisting solely of normal recurring accruals, necessary for the fair statement of financial statements for the interim periods have been included. The results of operations for the three months ended June 30, 2016 are not necessarily indicative of results that ultimately may be achieved for the year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in our annual report on Form 10-K for the fiscal year ended March 31, 2016, as filed with the SEC on May 17, 2016.

Use of Estimates

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

Reclassifications

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

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

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

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

March 31, 2016	
As Previously	Retrospective
Reported	Application

Deferred financing costs, net	\$ 4,332	\$ 1,147
Mandatorily redeemable preferred stock, net	121,650	118,465

Investment Valuation Policy

Accounting Recognition

We record our investments at fair value in accordance with the FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and the 1940 Act. Investment transactions are recorded on the

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

Board Responsibility

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

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

Use of Third Party Valuation Firms

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

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

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

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Table of Contents**Valuation Techniques**

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

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

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

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

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

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

In addition to the valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio

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company; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the current reporting quarter are generally valued at our original cost basis.

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

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

*Revenue Recognition***Interest Income Recognition**

Interest income, adjusted for amortization of premiums, amendment fees and acquisition costs and the accretion of discounts, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past-due principal and interest are paid, and, in management's judgment, are likely to remain current, or due to a restructuring, the interest income is deemed to be collectible. As of June 30 and March 31, 2016 our loan to Tread Corporation (Tread) was on non-accrual status, with an aggregate debt cost basis of \$3.2 million and \$1.4 million, or 0.9% and 0.4% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$2.0 million and \$1.4 million, or 0.6% and 0.4% of the fair value of all debt investments in our portfolio, respectively.

Paid-in-kind (PIK) interest, computed at the contractual rate specified in the loan agreement, is added to the principal balance of the loan and recorded as interest income over the life of the obligation. As of June 30 and March 31, 2016, we did not have any loans with a PIK interest component. During the three months ended June 30, 2016 and 2015, we did not record any PIK income, nor did we collect any PIK interest in cash.

Other Income Recognition

We record success fee income when earned, which often occurs upon receipt of cash. Success fees are generally contractually due upon a change of control in a portfolio company, typically from an exit or sale. We did not record any success fee income during the three months ended June 30, 2016. During the three months ended June 30, 2015, we recorded success fee income of \$0.9 million.

We accrue dividend income on preferred and common equity securities of our portfolio companies to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash or other consideration. During the three months ended June 30, 2016 and 2015, we recorded dividend income of \$2.8 million and \$0.4 million, respectively.

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

Deferred Financing and Offering Costs

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

Related Party Fees

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

We have entered into an administration agreement (the *Administration Agreement*) with the Administrator, which is owned and controlled by our chairman and chief executive officer, whereby we pay separately for administrative services. These fees are accrued when the services are performed and generally paid one month in arrears.

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

Recent Accounting Pronouncements

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

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

In May 2015, the FASB issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2015-07), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value

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per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The adoption of ASU 2015-07 did not have a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-07 is required to be adopted retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-07 effective April 1, 2016.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The adoption of ASU-2015-02 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-02 effective April 1, 2016.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Since this guidance is primarily around certain disclosures to the financial statements, we anticipate no impact on our financial position, results of operations or cash flows from adopting this standard. We are currently assessing the additional disclosure requirements, if any, of ASU 2014-15. ASU 2014-15 is effective for annual periods ending after December 31, 2016 and interim periods thereafter, with early adoption permitted.

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), as amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), and in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), which supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. We are currently assessing the impact of ASU 2014-09, as amended, and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years.

NOTE 3. INVESTMENTS*Fair Value*

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

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

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

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

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

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

The following table presents our portfolio investments carried at fair value as of June 30, 2016 and March 31, 2016, by caption on our accompanying *Consolidated Statements of Assets and Liabilities*, and by security type. All investments are primarily valued using Level 3 inputs within the ASC 820 fair value hierarchy:

	Total Recurring Fair	
	Value Measurements	
	Reported in Consolidated	
	Statements of Assets and	
	Liabilities	
	June 30, 2016	March 31, 2016
Non-Control/Non-Affiliate Investments		
Secured first lien debt	\$ 95,802	\$ 92,343
Secured second lien debt	36,773	35,366
Preferred equity	36,875	31,696
Common equity/equivalents	27,036	21,528
Total Non-Control/Non-Affiliate Investments	196,486	180,933
Affiliate Investments		
Secured first lien debt	179,586	182,694
Secured second lien debt	28,217	24,118
Preferred equity	68,872	81,854
Common equity/equivalents	1	8,057

Total Affiliate Investments	276,676	296,723
Control Investments		
Secured first lien debt	5,000	5,000
Secured second lien debt	5,000	5,000
Preferred equity	7,819	
Common equity/equivalents		
Total Control Investments	17,819	10,000
Total investments at fair value using Level 3 inputs	\$ 490,981	\$ 487,656

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In accordance with the FASB's ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)* (ASU 2011-04), the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of June 30, 2016 and March 31, 2016. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt-related calculations and on the cost basis for all equity-related calculations for the particular input.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value as of		Valuation Technique/ Methodology	Unobservable Input	Range / Weighted Average as of		Range / Weighted Average as of	
	Fair Value as of June 30, 2016	March 31, 2016			June 30, 2016	March 31, 2016		
Secured first lien debt	\$ 225,461	\$ 238,707	TEV	EBITDA multiple	4.3x	8.0x / 6.2x	4.4x	8.2x / 6.3x
				EBITDA	\$1,113 - \$9,444 /		\$970 - \$8,713 /	
						\$4,116	\$3,374	
				Discount Rate	20.0% - 20.0% /		20.0%	
	54,927(A)	41,330(A)	Yield Analysis	Discount Rate	14.1% - 18.9% /		14.2% - 17.7% /	
					16.1%		16.4%	
Secured second lien debt	50,517(B)	46,418(B)	TEV	EBITDA multiple	5.3x	6.1x / 5.8x	5.5x	6.2x / 5.9x
				EBITDA	\$2,767 - \$5,131 /		\$2,718 - \$4,851 /	
						\$4,564	\$3,790	
				Discount Rate	9.9% - 19.5% /		10.1% - 20.0% /	
	19,473	18,066	Yield Analysis	Discount Rate	14.8%		15.1%	
Preferred equity (C)	113,566	113,550	TEV	EBITDA multiple	4.3x	8.0x / 6.2x	4.4x	8.2x / 6.4x
				EBITDA	\$1,113 - \$79,086 /		\$0 - \$76,487 /	
					\$4,371		\$3,565	
				Discount Rate	20.0% - 20.0% /		20.0% - 20.0% /	
					20.0%		20.0%	
				Revenue multiple	0.2x	0.3x / 0.3x	0.2x	0.5x / 0.4x
				Revenue	\$28,065 - \$57,529		\$29,300 - \$56,937	
					/ \$42,800		/ \$42,761	
Common equity/equivalents (D)	27,037	29,585	TEV	EBITDA multiple	4.3x	11.0x / 8.6x	4.4x	11.0x / 8.7x
				EBITDA	\$1,113 - \$17,465 /		\$0 - \$76,487 /	
					\$10,957		\$820	
				Discount Rate	20.0% - 20.0% /		20.0% - 20.0% /	
					20.0%		20.0%	
				Revenue multiple	0.2x	0.2x / 0.2x	0.2x	0.5x / 0.2x

		Revenue	\$57,529 - \$57,529	\$29,300 - \$56,937 /
			/ \$57,529	\$56,937
Total	\$ 490,981			\$ 487,656

(A) Fair value as of June 30, 2016 includes one new proprietary debt investment for \$0.2 million, which was valued at cost, and one proprietary debt investment for \$5.3 million, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes one proprietary debt investment for \$5.3 million which was valued at the expected payoff amount.

(B) Fair value as of June 30, 2016 includes one new proprietary debt investment for \$18.6 million, which was valued at cost. Fair value as of March 31, 2016 includes one proprietary debt investment for \$14.5 million, which was valued at the expected payoff amount.

(C) Fair value as of June 30, 2016 includes one new proprietary equity investment for \$6.9 million, which was valued at cost. Fair value as of March 31, 2016 includes one proprietary equity investment for \$22.3 million, which was valued at the expected exit amount.

(D) Fair value as of June 30, 2016 includes one new proprietary equity investment for \$1, which was valued at cost. Fair value as of March 31, 2016 includes two proprietary equity investments for a combined \$8.1 million, which were valued at the expected exit amount.

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

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Table of Contents*Changes in Level 3 Fair Value Measurements of Investments*

The following tables provide the changes in fair value of our portfolio, broken out by security type, during the three months ended June 30, 2016 and 2015 for all investments for which the Adviser determines fair value using unobservable (Level 3) inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Three months ended June 30, 2016:					
Fair value as of March 31, 2016	\$ 280,037	\$ 64,484	\$ 113,550	\$ 29,585	\$ 487,656
Total gain (loss):					
Net realized gain (A)				18,806	18,806
Net unrealized appreciation (depreciation) (B)	(1,714)	1,406	15,604	5,007	20,303
Reversal of previously recorded appreciation upon realization (B)			(14,381)	(6,835)	(21,216)
New investments, repayments and settlements (C):					
Issuances / originations	2,976	18,600	6,899	501	28,976
Settlements / repayments	(911)	(14,500)			(15,411)
Sales			(8,106)	(20,027)	(28,133)
Transfers					
Fair value as of June 30, 2016	\$ 280,388	\$ 69,990	\$ 113,566	\$ 27,037	\$ 490,981

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Three months ended June 30, 2015:					
Fair value as of March 31, 2015	\$ 267,545	\$ 65,974	\$ 111,090	\$ 21,444	\$ 466,053
Total gain (loss):					
Net realized gain (A)				215	215
Net unrealized appreciation (depreciation) (B)	3,833	(107)	(3,589)	3,170	3,307
Reversal of previously recorded appreciation upon realization (B)				(110)	(110)
New investments, repayments and settlements (C):					
Issuances / originations	12,082		5,244		17,326
Settlements / repayments	(4,433)	(800)			(5,233)
Sales				(315)	(315)
Transfers					

Fair value as of June 30, 2015	\$ 279,027	\$ 65,067	\$ 112,745	\$ 24,404	\$ 481,243
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- (A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the respective periods ended June 30, 2016 and 2015.
- (B) Included in net unrealized appreciation (depreciation) of investments on our accompanying *Consolidated Statements of Operations* for the periods ended June 30, 2016 and 2015.
- (C) Includes increases in the cost basis of investments resulting from new portfolio investments, the amortization of discounts, PIK and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs, and other cost-basis adjustments.

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Table of Contents*Investment Activity*

During the three months ended June 30, 2016, the following significant transactions occurred:

In April 2016, we sold our investment in Acme Cryogenics, Inc. (Acme), which resulted in dividend income of \$2.8 million and a net realized gain of \$18.8 million. In connection with the sale, we received net cash proceeds of \$44.6 million, including the repayment of our debt investment of \$14.5 million at par and net receivables of \$0.6 million, which are recorded within Other assets, net on the accompanying *Consolidated Statement of Assets and Liabilities*.

In May 2016, we invested \$25.5 million in The Mountain Corporation (The Mountain) through a combination of secured second lien debt and preferred equity. The Mountain, headquartered in Keene, New Hampshire, is a designer and manufacturer of premium quality, bold artwear apparel serving a diverse global customer base.

Investment Concentrations

As of June 30, 2016, our investment portfolio consisted of investments in 36 portfolio companies located in 19 states across 17 different industries with an aggregate fair value of \$491.0 million, of which our investments in Counsel Press Inc. (Counsel Press), Cambridge Sound Management, Inc. (Cambridge), The Mountain, SOG Specialty Knives & Tools, LLC (SOG), and Nth Degree, Inc. (Nth Degree), our five largest portfolio investments at fair value, collectively comprised \$127.6 million, or 26.1%, of our total investment portfolio at fair value. The following table summarizes our investments by security type as of June 30, 2016 and March 31, 2016:

	June 30, 2016				March 31, 2016			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	\$ 298,312	57.1%	\$ 280,388	57.1%	\$ 296,247	57.2%	\$ 280,037	57.4%
Secured second lien debt	77,078	14.8	69,990	14.3	72,978	14.1	64,484	13.2
Total debt	375,390	71.9	350,378	71.4	369,225	71.3	344,521	70.6
Preferred equity	140,496	26.9	113,566	23.1	141,702	27.3	113,550	23.3
Common equity/equivalents	6,477	1.2	27,037	5.5	7,198	1.4	29,585	6.1
Total equity/equivalents	146,973	28.1	140,603	28.6	148,900	28.7	143,135	29.4
Total investments	\$ 522,363	100.0%	\$ 490,981	100.0%	\$ 518,125	100.0%	\$ 487,656	100.0%

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Investments at fair value consisted of the following industry classifications as of June 30, 2016 and March 31, 2016:

	June 30, 2016		March 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Home and Office Furnishings, Housewares, and Durable Consumer Products	\$ 87,454	17.8%	\$ 86,811	17.8%
Diversified/Conglomerate Manufacturing	62,836	12.8	64,986	13.3
Diversified/Conglomerate Service	52,603	10.7	49,901	10.2
Chemicals, Plastics, and Rubber	48,520	9.9	90,602	18.6
Leisure, Amusement, Motion Pictures, Entertainment	41,084	8.4	43,330	8.9
Personal and Non-Durable Consumer Products (Manufacturing Only)	25,826	5.3	315	0.1
Automobile	25,329	5.2	24,402	5.0
Farming and Agriculture	23,971	4.9	21,005	4.3
Containers, Packaging, and Glass	21,227	4.3	20,108	4.1
Machinery (Non-agriculture, Non-construction, Non-electronic)	19,957	4.1	20,011	4.1
Aerospace and Defense	17,819	3.6	10,000	2.1
Cargo Transport	15,065	3.1	14,484	3.0
Beverage, Food and Tobacco	14,132	2.9	9,050	1.8
Textiles and Leather	13,904	2.8	11,995	2.5
Telecommunications	13,230	2.6	14,000	2.9
Other < 2.0%	8,024	1.6	6,656	1.3
Total investments	\$ 490,981	100.0%	\$ 487,656	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of June 30, 2016 and March 31, 2016:

	June 30, 2016		March 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Northeast	\$ 169,876	34.6%	\$ 183,265	37.6%
South	136,603	27.8	129,934	26.6
West	123,289	25.1	124,713	25.6
Midwest	61,213	12.5	49,744	10.2
Total investments	\$ 490,981	100.0%	\$ 487,656	100.0%

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

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Table of Contents*Investment Principal Repayments*

The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of June 30, 2016:

		Amount
For the remaining nine months ending March 31:	2017	\$ 22,160
For the fiscal years ending March 31:	2018	76,326
	2019	81,681
	2020	101,108
	2021	75,515
	Thereafter	18,600
	Total contractual repayments	\$ 375,390
	Investments in equity securities	146,973
	Total cost basis of investments held as of June 30, 2016:	\$ 522,363

Receivables from Portfolio Companies

Receivables from portfolio companies represent non-recurring costs that we incurred on behalf of portfolio companies. Such receivables, net of any allowance for uncollectible receivables, are included in Other assets on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management's judgment,