

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

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____ to _____

Commission file number: 814-00704

GLADSTONE INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

1521 WESTBRANCH DRIVE, SUITE 100

MCLEAN, VIRGINIA
(Address of principal executive offices)

(703) 287-5800

22102
(Zip Code)

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of the issuer's Common Stock, \$0.001 par value per share, outstanding as of July 31, 2017, was 32,526,223.

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GLADSTONE INVESTMENT CORPORATION

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	June 30, 2017	March 31, 2017
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$206,948 and \$225,046, respectively)	\$ 207,184	\$ 223,451
Affiliate investments (Cost of \$280,558 and \$278,811, respectively)	266,169	262,086
Control investments (Cost of \$21,312 and \$21,312 respectively)	13,417	16,042
Total investments at fair value (Cost of \$508,818 and \$525,169, respectively)	486,770	501,579
Cash and cash equivalents	6,100	2,868
Restricted cash and cash equivalents	596	1,231
Interest receivable	1,616	2,305
Due from custodian	2,673	2,238
Deferred financing costs, net	1,491	1,588
Other assets, net	1,102	3,386
TOTAL ASSETS	\$ 500,348	\$ 515,195
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$34,000 and \$69,700, respectively)	\$ 34,000	\$ 69,700
Secured borrowing	5,096	5,096
Total borrowings	39,096	74,796
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 6,356,000 shares authorized; 5,566,000 shares issued and outstanding, net	135,030	134,835
Accounts payable and accrued expenses	1,084	578
Fees due to Adviser ^(A)	1,962	1,671
Fee due to Administrator ^(A)	307	296
Other liabilities	1,634	1,937
TOTAL LIABILITIES	\$ 179,113	\$ 214,113
Commitments and contingencies ^(B)		
NET ASSETS	\$ 321,235	\$ 301,082
ANALYSIS OF NET ASSETS		
	33	\$ 30

Common stock, \$0.001 par value per share, **100,000,000** shares authorized, **32,526,223** and 30,270,958 shares issued and outstanding, respectively

Capital in excess of par value	330,012	310,332
Cumulative net unrealized depreciation of investments	(22,048)	(23,590)
Net investment income in excess of distributions	6,997	7,283
Accumulated net realized gain	6,241	7,027
TOTAL NET ASSETS	\$ 321,235	\$ 301,082
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 9.88	\$ 9.95

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

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,	
	2017	2016
INVESTMENT INCOME		
Interest income:		
Non-Control/Non-Affiliate investments	\$ 4,466	\$ 4,505
Affiliate investments	6,072	6,914
Control investments	206	209
Cash and cash equivalents	2	
Total interest income	10,746	11,628
Other income:		
Non-Control/Non-Affiliate investments	2,009	15
Affiliate investments	865	2,750
Total other income	2,874	2,765
Total investment income	13,620	14,393
EXPENSES		
Base management fee ^(A)	2,516	2,509
Loan servicing fee ^(A)	1,564	1,681
Incentive fee ^(A)	1,172	1,700
Administration fee ^(A)	307	299
Interest expense on borrowings	729	971
Dividends on mandatorily redeemable preferred stock	2,251	2,065
Amortization of deferred financing costs and discounts	367	481
Professional fees	319	192
Other general and administrative expenses	1,072	201
Expenses before credits from Adviser	10,297	10,099
Credits to base management fee loan servicing fee ^(A)	(1,564)	(1,681)
Credits to fees from Adviser other ^(A)	(548)	(837)
Total expenses, net of credits to fees	8,185	7,581
NET INVESTMENT INCOME	\$ 5,435	\$ 6,812

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss):		
Non-Control/Non-Affiliate investments	941	(153)
Affiliate investments	224	18,789
Control investments		(1)
Other		(75)
Total net realized gain	1,165	18,560
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	1,831	7,217
Affiliate investments	2,335	(15,949)
Control investments	(2,625)	7,819
Other		75
Total net unrealized appreciation (depreciation)	1,541	(838)
Net realized and unrealized gain	2,706	17,722

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

	\$ 8,141	\$ 24,534
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BASIC AND DILUTED PER COMMON SHARE:

Net investment income	\$ 0.17	\$ 0.23
Net increase in net assets resulting from operations	\$ 0.26	\$ 0.81
Distributions	\$ 0.25	\$ 0.19

WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:

Basic and diluted	31,474,284	30,270,958
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(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2017	2016
OPERATIONS		
Net investment income	\$ 5,435	\$ 6,812
Net realized gain on investments	1,165	18,635
Net realized loss on other		(75)
Net unrealized appreciation (depreciation) of investments	1,541	(913)
Net unrealized appreciation of other		75
Net increase in net assets from operations	8,141	24,534
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	(6,091)	(5,676)
Distributions to common stockholders from realized gains	(1,951)	
Net decrease in net assets from distributions	(8,042)	(5,676)
CAPITAL ACTIVITY		
Issuance of common stock	21,154	
Discounts, commissions, and offering costs for issuance of common stock	(1,100)	
Net increase in net assets from capital activity	20,054	
TOTAL INCREASE IN NET ASSETS	20,153	18,858
NET ASSETS, BEGINNING OF PERIOD	301,082	279,022
NET ASSETS, END OF PERIOD	\$ 321,235	\$ 297,880

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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 8,141	\$ 24,534
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Purchase of investments	(2,148)	(28,976)
Principal repayments of investments	13,660	15,411
Net proceeds from the sale of investments	5,797	27,531
Net realized gain on investments	(1,176)	(18,654)
Net realized loss on other		75
Net unrealized (appreciation) depreciation of investments	(1,541)	913
Net unrealized appreciation of other		(75)
Amortization of premiums, discounts, and acquisition costs, net	(2)	
Amortization of deferred financing costs and discounts	367	481
Bad debt expense, net of recoveries	539	(18)
Changes in assets and liabilities:		
Decrease (increase) in restricted cash and cash equivalents	635	(277)
Decrease (increase) in interest receivable	235	24
(Increase) decrease in due from custodian	(435)	489
Decrease (increase) in other assets, net	2,292	157
Increase (decrease) in accounts payable and accrued expenses	498	(226)
Increase in fees due to Adviser ^(A)	291	199
Increase (decrease) in fee due to Administrator ^(A)	11	(12)
(Decrease) increase in other liabilities	(185)	327
Net cash provided by operating activities	26,979	21,903
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	21,154	
Discounts, commissions, and offering costs for issuance of common stock	(1,084)	
Proceeds from line of credit	9,400	31,100
Repayments on line of credit	(45,100)	(46,500)
Deferred financing and offering costs	(75)	(75)
Distributions paid to common stockholders	(8,042)	(5,676)
Net cash used in financing activities	(23,747)	(21,151)

NET INCREASE IN CASH AND CASH EQUIVALENTS	3,232	752
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,868	4,481
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,100	\$ 5,233
CASH PAID FOR INTEREST	\$ 626	\$ 913
NON-CASH ACTIVITIES^(B)	\$ 9,379	\$

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

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^{(B)(F)}	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N):					
AquaVenture Holdings Limited	Utilities	Common Stock (83,453 shares) ^{(C)(S)}	\$	\$ 1,375	\$ 1,271
				1,375	1,271
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$100 available (1.5% (0.8% Unused Fee), Due 12/2018) ^(L)	4,550	4,550	4,320
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	6,443	6,443	
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	840	840	
		Preferred Stock (2,500 shares) ^{(C)(L)}		2,516	
		Common Stock (2,500 shares) ^{(C)(L)}		300	
				14,649	4,320
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$500 available (13.0% (1.0% Unused Fee), Due 3/2018) ^(L)			
		Secured First Lien Term Debt (13.0%, Due 3/2020) ^(L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.2%, Due 3/2020) ^(L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares) ^{(C)(L)}		6,995	4,934
				30,495	28,434

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Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2018) ^(L)	4,000	4,000	4,000
		Preferred Stock (7,304,792 shares) ^{(C)(L)}		7,725	2,037
		Guaranty (\$2,000) ^(D)			
				11,725	6,037
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 11/2022) ^(K)	13,000	12,901	13,406
		Common Stock Warrants (8% ownership) ^{(C)(L)}		500	2,700
				13,401	16,106
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017) ^(L)	9,913	9,913	9,913
		Preferred Stock (34,045 shares) ^{(C)(L)}		3,375	3,955
		Common Stock (5,372 shares) ^{(C)(L)}		63	11,743
				13,351	25,611
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2019) ^(L)	9,500	9,500	9,500
		Preferred Stock (1,373 shares) ^{(C)(L)}		1,373	1,429
		Common Stock (152 shares) ^{(C)(L)}		152	8,075
				11,025	19,004
Funko Acquisition Holdings, LLC ^(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) ^{(C)(L)}		167	245
		Common Stock (975 units) ^{(C)(L)}			
				167	245
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	6,991
		Common Stock (63,747 shares) ^{(C)(L)}		8	
				22,891	20,291
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due	11,000	11,000	11,000

		4/2018) ^(L)			
		Preferred Stock (3,556 shares) ^{(C)(L)}		3,556	2,163
		Common Stock (548 shares) ^{(C)(L)}		94	
				14,650	13,163
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.7%, Due 12/2020) ^(L)	13,290	13,290	13,290
		Preferred Stock (5,660 units) ^{(C)(L)}		5,660	16,270
				18,950	29,560
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Line of Credit, \$1,500 available (10.0% (1.0% Unused Fee), Due 6/2018) ^(L)			
		Secured First Lien Term Debt (14.0%, Due 6/2020) ^(L)	19,957	19,957	19,957
		Preferred Stock (27,705 shares) ^{(C)(L)}		2,772	1,449
		Common Stock (221,500 shares) ^{(C)(L)}		222	
				22,951	21,406

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
Schylling, Inc.	Leisure, Amusement, Motion Pictures, and Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018) ^(L) Preferred Stock (4,000 shares) ^{(C)(L)}	13,081	13,081	13,081
				4,000	
				17,081	13,081
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018) ^(L) Preferred Stock (1,499 shares) ^{(C)(L)} Common Stock (600 shares) ^{(C)(L)}	5,000	5,000	5,000
				1,499	439
				1	
				6,500	5,439
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, \$634 available (12.5%, Due 2/2018) ^{(G)(L)} Preferred Stock (12,998,639 shares) ^{(C)(L)} Common Stock (10,089,048 shares) ^{(C)(L)}	3,216	3,216	3,216
				3,768	
				753	
				7,737	3,216
Total Non-Control/Non-Affiliate Investments (represents 42.6% of total investments at fair value)				\$ 206,948	\$ 207,184
AFFILIATE INVESTMENTS^(O):					
Alloy Die Casting Co. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	\$ 12,215	\$ 12,215	\$ 8,551

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		Secured First Lien Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	175	175	123
		Secured First Lien Term Debt (Due 10/2018) ^{(K)(R)}	910	910	641
		Preferred Stock (5,114 shares) ^{(C)(L)}		5,114	
		Common Stock (630 shares) ^{(C)(L)}		41	
				18,455	9,315
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	7,582
				16,250	18,889
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	3,204
				18,196	17,204
Cambridge Sound Management, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured Second Lien Term Debt (13.0%, Due 8/2021) ^(L)	16,000	16,000	16,000
		Preferred Stock (4,500 shares) ^{(C)(L)}		4,500	17,233
				20,500	33,233
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) ^{(C)(L)}		1,841	
		Common Stock (2,319,184 shares) ^{(C)(L)}			
				1,841	
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (10.0%, Due 10/2021) ^{(D)(L)}	8,795	8,795	6,871
		Common Stock (627 shares) ^{(C)(L)}		1	
				8,796	6,871
Edge Adhesives Holdings, Inc. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(K)	9,300	9,300	8,463

		Secured First Lien Term Debt (13.8%, Due 2/2019) ^(K)	2,400	2,400	2,196
		Preferred Stock (3,774 units) ^{(C)(L)}		3,774	
				15,474	10,659
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	3,904
				20,150	18,904

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, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(L) Preferred Stock (4,000 shares) ^{(C)(L)}	\$ 9,050	\$ 9,050	\$ 9,050
				4,000	4,255
				13,050	13,305
JR Hobbs, Co. LLC	Atlanta, Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$50 available (10.0% (1.0% Unused Fee), Due 2/2018) ^(L) Secured First Lien Term Debt (13.0%, Due 2/2022) ^(L) Preferred Stock (5,920 shares) ^{(C)(L)}	3,950	3,950	3,950
			21,000	21,000	21,000
				5,920	6,355
				30,870	31,305
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020) ^(L) Preferred Stock (1,550 shares) ^{(C)(L)}	9,200	9,200	9,200
				1,550	12,037
				10,750	21,237
Meridian Rack & Pinion, Inc. ^(M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018) ^(K) Preferred Stock (3,381 shares) ^{(C)(L)}	9,660	9,660	8,694
				3,381	940
				13,041	9,634
The Mountain Corporation	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured Second Lien Term Debt (13.7%, Due	18,600	18,600	18,600

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8/2021) ^(L)	
Preferred Stock (6,899 shares) ^{(C)(L)}	6,899
Common Stock (751 shares) ^{(C)(L)}	1

				25,500	18,600
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	11,060
				21,950	26,830
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020) ^{(G)(L)}	9,618	9,618	9,618
		Preferred Stock (37,391 shares) ^{(C)(L)}		3,739	1,627
		Common Stock (90,909 shares) ^{(C)(L)}		91	
				13,448	11,245
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, and Entertainment	Secured First Lien Term Debt (13.3%, Due 8/2020) ^(L)	6,200	6,200	6,200
		Secured First Lien Term Debt (14.8%, Due 8/2020) ^(L)	12,200	12,200	12,200
		Secured First Lien Term Loan (Due 8/2020) ^{(L)(R)}	538	538	538
		Preferred Stock (9,749 shares) ^{(C)(L)}		9,749	
				28,687	18,938
Total Affiliate Investments (represents 54.7% of total investments at fair value)				\$ 280,558	\$ 266,169

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, 2017

(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, \$200 available (6.5% (1.0% Unused Fee), Due 8/2019) ^(L)	\$ 4,800	\$ 4,800	\$ 4,800
		Secured Second Lien Term Debt (10.0%, Due 8/2019) ^(L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares) ^{(C)(L)}		11,464	3,617
		Common Stock (88,843 shares) ^{(C)(L)}		48	
				21,312	13,417
Total Control Investments (represents 2.7% of total investments at fair value)				\$ 21,312	\$ 13,417
TOTAL INVESTMENTS				\$ 508,818	\$ 486,770

- (A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$414.9 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings* in the accompanying *Notes to Consolidated Financial Statements*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2017, our investment in AquaVenture Holdings Limited is considered a non-qualifying asset under Section 55 of the 1940 Act and represents 0.3% of total investments, at fair value.
- (B) Percentages represent the weighted average cash interest rates in effect at June 30, 2017, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. 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 11 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information regarding this guaranty.

- (E) Reserved.
- (F) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of June 30, 2017.
- (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* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Reserved.
- (R) Debt security does not have a stated current interest rate.
- (S) Fair value was based on the closing market price of our shares as of the reporting date. AquaVenture Holdings Limited is traded on the New York Stock Exchange under the trading symbol WAAS.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^{(B)(F)}	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N):					
AquaVenture Holdings Limited	Utilities	Common Stock (201,586 shares) ^{(C)(S)}	\$	\$ 3,397	\$ 3,433
				3,397	3,433
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$500 available (7.3% (0.8% Unused Fee), Due 12/2018) ^(L)	4,150	4,150	4,150
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	6,443	6,443	205
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	840	840	
		Preferred Stock (2,500 shares) ^{(C)(L)}		2,516	
		Common Stock (2,500 shares) ^{(C)(L)}		300	
				14,249	4,355
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$500 available (12.8% (1.0% Unused Fee), Due 3/2018) ^(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	6,117
				30,495	29,617
	Automobile		4,000	4,000	4,000

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Country Club Enterprises, LLC		Secured Second Lien Term Debt (18.7%, Due 5/2017) ^(L)			
		Preferred Stock (7,245,681 shares) ^{(C)(L)}		7,725	5,256
		Guaranty (\$2,000) ^(D)			
				11,725	9,256
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020) ^(K)	13,000	13,000	13,292
		Common Stock Warrants (8% ownership) ^{(C)(L)}		500	2,598
				13,500	15,890
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017) ^(L)	9,913	9,913	9,913
		Preferred Stock (34,045 shares) ^{(C)(L)}		3,375	3,878
		Common Stock (5,372 shares) ^{(C)(L)}		63	11,451
				13,351	25,242
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2019) ^(L)	9,500	9,500	9,500
		Preferred Stock (1,373 shares) ^{(C)(L)}		1,373	1,401
		Common Stock (152 shares) ^{(C)(L)}		152	7,364
				11,025	18,265
Funko Acquisition Holdings, LLC ^(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) ^{(C)(L)}		167	257
		Common Stock (975 units) ^{(C)(L)}			
				167	257
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	7,176
		Common Stock (63,747 shares) ^{(C)(L)}		8	
				22,891	20,476
Jackrabbit, Inc.	Farming and Agriculture		11,000	11,000	11,000

		Secured First Lien Term Debt (13.5%, Due 4/2018) ^(L)			
		Preferred Stock (3,556 shares) ^{(C)(L)}		3,556	3,421
		Common Stock (548 shares) ^{(C)(L)}		94	
				14,650	14,421
Mathey Investments, Inc.	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (10.0%, Due 3/2018) ^(L)	1,375	1,375	1,375
		Secured First Lien Term Debt (12.0%, Due 3/2018) ^(L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018) ^{(I)(L)}	3,500	3,500	1,619
		Common Stock (29,102 shares) ^{(C)(L)}		777	
				9,379	6,721
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 3/2018) ^{(I)(J)(Q)}	13,560	13,560	15,230
		Preferred Stock (27,900 shares) ^{(C)(J)(Q)}		2,790	3,903
		Common Stock (27,900 shares) ^{(C)(J)(Q)}		28	28
				16,378	19,161

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020) ^(L)	\$ 13,290	\$ 13,290	\$ 13,290
		Preferred Stock (5,660 units) ^{(C)(L)}		5,660	12,471
				18,950	25,761
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (14.0%,			