

GLADSTONE INVESTMENT CORPORATION\DE

Form 497

May 08, 2015

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File No. 333-181879

PROSPECTUS SUPPLEMENT

(to Prospectus dated September 4, 2014)

\$35,000,000

6.50% Series C Cumulative Term Preferred Stock Due 2022

Liquidation Preference \$25 Per Share

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

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

Stock.

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

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

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

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

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

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

(1)

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

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

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

Sole Book-Running Manager

Janney Montgomery Scott

Co-Lead Managers

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

**Wunderlich
Co-Manager**

William Blair

Ladenburg Thalmann

Maxim Group LLC

Prospectus Supplement dated May 6, 2015

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

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

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

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PROSPECTUS SUPPLEMENT SUMMARY

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

Gladstone Investment Corporation

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

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

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

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

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

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

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Investment Strategy

We seek to: (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that grow over time; and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we believe can grow over time to permit us to sell our equity investments for capital gains. To achieve our objectives, our investment strategy is to invest in several categories of debt and equity securities, with each investment generally ranging from \$5.0 million to \$30.0 million, although investment size may vary, depending upon our total assets or available capital at the time of investment. We expect that our investment mix over time will consist of approximately 80.0% in debt securities and 20.0% in equity securities. However, as of December 31, 2014, our investment mix was approximately 73.0% in debt securities and 27.0% in equity securities, at cost. We may change our investment objectives without the approval of our stockholders.

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

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

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

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

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

Junior Subordinated Debt Securities: We seek to invest a portion of our assets in junior subordinated debt securities, also known as subordinated loans, subordinated notes and mezzanine loans. These junior

subordinated debts include second lien notes and unsecured loans. Additionally, we may receive other yield enhancements and warrants to buy common and preferred stock or limited liability interests in connection with these junior subordinated debt securities.

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

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

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

Our Investment Adviser and Administrator

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

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

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

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

our investment performance and that of the Adviser;

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

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

various other matters.

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

Recent Developments

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

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

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

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

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

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

Management

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

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

Common Stock Offering

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

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

Distribution Payments

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

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

Investment Activity

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

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

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

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THE OFFERING

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

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

dividend period for the Series C Term Preferred Stock will commence on the initial issuance date of such shares upon the closing of this offering, which we refer to as the Date of Original Issue, and will end on June 30, 2015.

Ranking

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

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The Series C Term Preferred Stock ranks:

senior to the Common Stock in priority of payment of dividends and as to the distribution of assets upon dissolution, liquidation or the winding-up of our affairs;

equal in priority with all other series of Preferred Stock we have issued or may issue in the future as to priority of payment of dividends and as to distributions of assets upon dissolution, liquidation or the winding-up of our affairs; and

effectively subordinated to our existing and future indebtedness, including borrowings under the Credit Facility.

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

Mandatory Term Redemption

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

Mandatory Redemption for Asset Coverage

If we fail to maintain Asset Coverage (as defined below) of at least 200% as of the close of business on the last calendar day on which the NASDAQ is open for trading, or a Business Day, of any calendar

quarter, and such failure is not cured by the close of business on the date that is 30 calendar days following the filing date of our Form 10-Q or Form 10-K, as applicable, for that respective calendar quarter, which is the three-month period ending March 31, June 30, September 30 and December 31 of each year (referred to in this prospectus supplement as an Asset Coverage Cure Date), then we are required to redeem, within 90 calendar days of the Asset Coverage Cure Date, shares of Preferred Stock equal to the

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lesser of (1) the minimum number of shares of Preferred Stock that will result in our having Asset Coverage of at least 200% and (2) the maximum number of shares of Preferred Stock that can be redeemed out of funds legally available for such redemption, provided further, that in connection with any such redemption for failure to maintain such Asset Coverage, we may redeem such additional number of shares of Preferred Stock that will result in our having Asset Coverage of up to and including 215%. The Preferred Stock to be redeemed may include, at our sole option, any number or proportion of the Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock, and other series of Preferred Stock. If shares of Series C Term Preferred Stock are to be redeemed in such an event, they will be redeemed at a redemption price equal to the Liquidation Preference, plus accumulated but unpaid dividends, if any, on such shares (whether or not declared, but excluding interest on accumulated but unpaid dividends, if any) to, but excluding, the date fixed for such redemption.

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

Optional Redemption

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

Term Preferred Stock Redemption.

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Change of Control Redemption

If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the Series C Term Preferred Stock, we will be required to redeem all of the outstanding Series C Term Preferred Stock at the Liquidation Preference, plus an amount equal to accumulated but unpaid dividends, if any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the date fixed for such redemption. For the definition of Change of Control Triggering Event and additional information concerning the redemption of the Series C Term Preferred Stock in connection with such events, see Description of the Series C Term Preferred Stock Redemption Change of Control.

Voting Rights

Except as otherwise provided in our Amended and Restated Certificate of Incorporation or as otherwise required by law, (1) each holder of Preferred Stock (including the Series C Term Preferred Stock) will be entitled to one vote for each share of Preferred Stock held by such holder on each matter submitted to a vote of our stockholders and (2) the holders of all outstanding Preferred Stock and Common Stock will vote together as a single class; provided, that holders of Preferred Stock, voting separately as a class, will be entitled to elect two of our directors and, if we fail to pay dividends on any outstanding shares of Preferred Stock in an amount equal to two full years of dividends and continuing until such failure is corrected, will be entitled to elect a majority of our directors. Preferred Stock holders will also vote separately as a class on any matter that materially and adversely affects any preference, right or power of holders of Preferred Stock. See Description of the Series C Term Preferred Stock Voting Rights.

Conversion Rights

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

Use of Proceeds

We intend to use the net proceeds from this offering of approximately \$33.5 million (after the payment of underwriting discounts and commissions of \$1.2 million and estimated offering expenses payable by us of approximately \$235,000) to repay borrowings under the Credit Facility, to fund investments in accordance with our investment strategy and for other general corporate purposes. See Use of Proceeds.

U.S. Federal Income Taxes

Prospective investors are urged to consult their own tax advisors regarding the tax considerations relevant to holders of the Series C Term Preferred Stock in light of their personal investment circumstances.

We have elected to be treated, and intend to continue to so qualify each year, as a RIC under Subchapter M of the Code, and we generally do not

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

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

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Risk Factors

Investing in the Series C Term Preferred Stock involves risks. You should carefully consider the information set forth in the sections entitled **Risk Factors** beginning on page S-11 of this prospectus supplement and page 12 of the accompanying prospectus before deciding whether to invest in our Series C Term Preferred Stock.

Information Rights

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

Redemption and Paying Agent

We have entered into an amendment to our Transfer Agency and Service Agreement with Computershare, Inc., or Computershare, which we refer to as the Redemption and Paying Agent in this prospectus supplement. Under this amendment, the Redemption and Paying Agent will serve as transfer agent and registrar, dividend disbursing agent and redemption and paying agent with respect to the Series C Term Preferred Stock.

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RISK FACTORS

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

Risks of Investing in Preferred Stock

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

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

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

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

The Series C Term Preferred Stock will not be rated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Risks

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

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

does not express an opinion or any other form of assurance with respect thereto.

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

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

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

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

In addition, we are required to redeem all outstanding Series B Term Preferred Stock on December 31, 2021, at a redemption price equal to the liquidation preference, plus an amount equal to accumulated but unpaid dividends, if

any, on such shares (whether or not earned or declared, but excluding interest on such dividends) to, but excluding, the redemption date. If we fail to redeem the Series B Term Preferred Stock pursuant to the mandatory redemption required on December 31, 2021, or in any other circumstance in which we are required to redeem the Series B Term Preferred Stock, then the fixed dividend rate of the Series B Term Preferred Stock will increase to

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an annual rate of 10.75% for so long as such failure continues. If we do not have sufficient funds to redeem the Series B Term Preferred Stock or if we do not have sufficient funds remaining following such redemption, we may experience an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock.

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

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

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

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

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

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

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

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

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

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

will, immediately after giving effect to the issuance of such additional Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage of at least 200.0%.

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

Our ability to meet our payment and other obligations under the Credit Facility and monthly dividend obligations with respect to our Preferred Stock depends on our ability to generate significant cash flow in the future. This, to

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

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

Pending legislation may allow us to incur additional leverage.

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

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

In the course of investing in and often providing significant managerial assistance to certain of our portfolio companies, certain persons employed by the Adviser sometimes serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, even if meritless, we or such employees

may be named as defendants in such litigation, which could result in additional costs, including defense costs, and the diversion of management time and resources. We may be unable to accurately estimate our

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

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

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

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

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

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

further adverse changes in the economy and the capital markets;

risks associated with negotiation and consummation of pending and future transactions;

the loss of one or more of our executive officers, in particular David Gladstone, David A. R. Dullum or Terry Lee Brubaker;

changes in our business strategy;

availability, terms and deployment of capital;

changes in our industry, interest rates or exchange rates or the general economy;

the business prospectus of our portfolio companies;

the degree and nature of our competition;

our ability to maintain our qualification as a RIC and as a BDC;

our ability to defend successfully claims and litigation against us; and

those factors described in the Risk Factors sections of this prospectus supplement and the accompanying prospectus.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a

result of new information, future events or otherwise, after the date of this prospectus supplement or the accompanying prospectus, except as otherwise required by applicable law. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

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USE OF PROCEEDS

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

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

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

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

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

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

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Table of Contents**CAPITALIZATION**

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

on an actual basis;

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

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

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

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

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

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

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

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

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

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Table of Contents**SELECTED FINANCIAL INFORMATION**

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

	Nine Months Ended December 31,		Year Ended March 31,				
	2014	2013	2014	2013	2012	2011	2010

(Dollar amounts in thousands, except per share data)

Statement of operations data:

Total investment income	\$ 30,470	\$ 27,453	\$ 36,264	\$ 30,538	\$ 21,242	\$ 26,064	\$ 20,785
Total expenses net of credits from Adviser	15,568	12,790	16,957	14,050	7,499	9,893	10,187
Net investment income	14,902	14,663	19,307	16,488	13,743	16,171	10,598
Net gain (loss) on investments	6,154	(16,929)	(20,636)	791	8,223	268	(21,669)
Net increase (decrease) in net assets resulting from operations	\$ 21,056	\$ (2,266)	\$ (1,329)	\$ 17,279	\$ 21,966	\$ 16,439	\$ (11,071)

Per share data^(A):

Net increase (decrease) in net assets resulting from operations per common share basic and diluted	\$ 0.80	\$ (0.09)	\$ (0.05)	\$ 0.71	\$ 0.99	\$ 0.74	\$ (0.50)
Net investment income before net gain (loss) on	0.56	0.55	0.73	0.68	0.62	0.73	0.48

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

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

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- (A) Per share data for net (decrease) increase in net assets resulting from operations is based on the weighted average common stock outstanding for both basic and diluted.
- (B) See Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding our level of indebtedness.
- (C) As a BDC, we are generally required to maintain asset coverage (as defined in Section 18(h) of the 1940 Act) of at least 200% on our senior securities representing indebtedness and our senior securities that are stock. Our Preferred Stock is a senior security that is stock.
- (D) Asset coverage per unit is the asset coverage expressed in terms of dollar amounts per one thousand dollars of indebtedness.
- (E) Weighted average yield on investments equals interest income on investments divided by the weighted average interest-bearing debt investment balance throughout the year.
- (F) Total return equals the increase (decrease) of the ending market value over the beginning market value plus monthly distributions divided by the monthly beginning market value.

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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, 2014 and the first three quarters of the fiscal year ending March 31, 2015. The information was derived from our unaudited consolidated financial statements. Results for any quarter are not necessarily indicative of results for the full fiscal year or for any future quarter.

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

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

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

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

OVERVIEW

General

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

We were incorporated under the General Corporation Law of the State of Delaware on February 18, 2005. We were established for the purpose of investing in debt and equity securities of established private businesses in the U.S. debt investments primarily come in the form of three types of loans: senior term loans, senior subordinated loans and junior subordinated debt. Equity investments primarily take the form of preferred or common equity (or warrants or options to acquire the foregoing), often in connection with buyouts and other recapitalizations. To a much lesser extent, we also invest in senior and subordinated syndicated loans. We seek to (1) achieve and grow current income by investing in debt securities of established businesses that we believe will provide stable earnings and cash flow to pay expenses, make principal and interest payments on our outstanding indebtedness and make distributions to stockholders that we anticipate will grow over time and (2) provide our stockholders with long-term capital appreciation in the value of our assets by investing in equity securities of established businesses that we hope will appreciate over time so that we can sell them for capital gains. We expect that our investment allocation over time will consist of approximately 80.0% in debt securities and 20.0% in equity securities. As of December 31, 2014, our investment allocation was 73.0% in debt securities and 27.0% in equity securities, at cost.

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

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

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

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

Business Environment

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

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

Portfolio Activity

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

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

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

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

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

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

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

Capital Raising Efforts

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

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

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

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Table of Contents*Regulatory Compliance*

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

Investment Highlights

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

Investment Activity

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

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

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

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

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

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

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

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

Recent Developments

Executive Officers

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

Management

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

Term Preferred Stock Offering

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

Common Stock Offering

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

Credit Facility Extension and Expansion

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

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

amortized through the Credit Facility's revolver period end date of June 26, 2017. Refer to *Liquidity and Capital Resources - Revolving Credit Facility* for further discussion of the Credit Facility.

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Registration Statement

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

Distribution Payments

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

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

Table of Contents**RESULTS OF OPERATIONS***Comparison of the Three Months Ended December 31, 2014, to the Three Months Ended December 31, 2013*

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

NM = Not Meaningful

Investment Income

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

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

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

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

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

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

(A) New investment during the applicable period.

(B) Investment added in September 2014.

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

Expenses

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

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and incentive fee as compared to the prior year period. This was partially offset by a decrease in other expenses for the three months ended December 31, 2014, as compared to the prior year period.

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

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

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

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

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

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

Realized and Unrealized (Loss) Gain on Investments

Realized Loss

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

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Table of Contents*Unrealized Appreciation (Depreciation)*

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

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

Portfolio Company	Three months ended December 31, 2014		
	Realized Loss	Unrealized Appreciation (Depreciation)	Net Gain (Loss)
Funko, LLC	\$	\$ 3,648	\$ 3,648
Cambridge Sound Management, LLC		3,056	3,056
Drew Foam Company, Inc.		1,475	1,475
Ginsey Home Solutions, Inc.		1,450	1,450
Tread Corp.		1,290	1,290
Head Country Inc.		1,123	1,123
Alloy Die Casting Corp.		973	973
SOG Specialty K&T, LLC		951	951
Mathey Investments, Inc.		440	440
Danco Acquisition Corp.		203	203
Frontier Packaging, Inc.		(231)	(231)
Edge Adhesives Holdings, Inc.		(451)	(451)
Jackrabbit, Inc.		(460)	(460)
Meridian Rack & Pinion, Inc.		(678)	(678)
NDLI Inc.		(709)	(709)
Country Club Enterprises, LLC		(784)	(784)
Channel Technologies Group, LLC		(831)	(831)
Mitchell Rubber Products, Inc.		(1,883)	(1,883)
B-Dry, LLC		(2,517)	(2,517)
Acme Cryogenics, Inc.		(4,197)	(4,197)
Other, net (<\$250 Net)	(209)	91	(118)
Total	\$ (209)	\$ 1,959	\$ 1,750

The primary reason for the change in our net unrealized appreciation of \$2.0 million for the three months ended December 31, 2014, was an increase in the equity valuation of two of our portfolio companies, Funko, LLC and Cambridge, due to an increase in company performance and, to a lesser extent, an increase in certain comparable multiples used to estimate the fair value of our investments. This was partially offset by decreased performance in several of our portfolio companies.

During the three months ended December 31, 2013, we recorded net unrealized depreciation of investments in the aggregate amount of \$2.3 million, which included the reversal of \$13.2 million in aggregate unrealized depreciation, primarily related to the sales of ASH and Packerland. Excluding reversals, we had \$15.5 million in net unrealized

depreciation of investments for the three months ended December 31, 2013.

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The realized losses and gains and unrealized appreciation (depreciation) across our investments for the three months ended December 31, 2013, were as follows:

Portfolio Company	Three months ended December 31, 2013			
	Realized (Loss) Gain	Unrealized Appreciation (Depreciation)	Reversal of Unrealized Depreciation (Appreciation)	Net Gain (Loss)
Auto Safety House, LLC ^(A)	\$ (11,402)	\$ 4,938	\$ 11,410	\$ 4,946
SOG Specialty K&T, LLC		3,140		3,140
Quench Holdings Corp.		2,864		2,864
Mitchell Rubber Products, Inc.		951		951
Packerland Whey Products, Inc. ^(B)	(1,754)		2,500	746
Cavert II Holding Corp		58	(175)	(117)
Drew Foam Companies, Inc.		(480)		(480)
B-Dry, LLC		(502)		(502)
Channel Technologies Group, LLC		(232)	(583)	(815)
SBS, Industries, LLC		(1,606)		(1,606)
Country Club Enterprises, LLC		(1,777)		(1,777)
Mathey Investments, Inc.		(1,806)		(1,806)
Star Seed, Inc.		(1,862)		(1,862)
Precision Southeast, Inc.		(2,168)		(2,168)
Ginsey Holdings, Inc.		(2,229)		(2,229)
Jackrabbit, Inc.		(3,245)		(3,245)
Noble Logistics, Inc.		(3,448)		(3,448)
Schylling Investments, LLC		(3,840)		(3,840)
Galaxy Tool Holding Corp.		(4,413)		(4,413)
Other, net (<\$250 Net)	41	195		236
Total	\$ (13,115)	\$ (15,462)	\$ 13,152	\$ (15,425)

(A) ASH equity investment was sold in October 2013.

(B) Packerland investment was sold in November 2013.

Excluding reversals, the primary changes in our net unrealized depreciation of \$15.5 million for the three months ended December 31, 2013, were due to decreased equity valuations in several of our portfolio companies, primarily due to a decrease in certain comparable multiples used to estimate the fair value of our investments and a decrease in portfolio company performance.

Over our entire investment portfolio, we recorded approximately \$1.7 million of net unrealized depreciation on our debt positions and \$3.7 million of net unrealized appreciation on our equity holdings for the three months ended December 31, 2014. At December 31, 2014, the fair value of our investment portfolio was less than our cost basis by approximately \$63.2 million, as compared to \$65.2 million at September 30, 2014, representing net unrealized appreciation of \$2.0 million for the three months ended December 31, 2014. We believe that our aggregate investment portfolio is valued at a depreciated value due to the lingering effects of the recent recession on the performance of

certain of our portfolio companies. Our entire portfolio was fair valued at 86.2% of cost as of December 31, 2014. The unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution.

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Table of Contents**Unrealized Gain on Other***Net Unrealized Depreciation on Borrowings*

There was no unrealized appreciation or depreciation of the Credit Facility recognized for the three months ended December 31, 2014. During the three months ended December 31, 2013, there was net unrealized depreciation of \$0.4 million on the Credit Facility. The Credit Facility was fair valued at \$95.8 million and \$61.7 million as of December 31 and March 31, 2014, respectively.

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

	Nine Months Ended December 31,			
	2014	2013	\$ Change	% Change
INVESTMENT INCOME				
Interest income	\$ 26,706	\$ 22,481	\$ 4,225	18.8%
Other income	3,764	4,972	(1,208)	(24.3)
Total investment income	30,470	27,453	3,017	11.0
EXPENSES				
Base management fee	5,337	4,625	712	15.4
Incentive fee	3,726	2,822	904	32.0
Administration fee	670	638	32	5.0
Interest and dividend expense	5,010	3,607	1,403	38.9
Amortization of deferred financing fees	940	761	179	23.5
Other	1,740	1,964	(224)	(11.4)
Expenses before credits from Adviser	17,423	14,417	3,006	20.9
Credits to Adviser fees	(1,855)	(1,627)	(228)	(14.0)
Total expenses net of credits to fee	15,568	12,790	2,778	21.7
NET INVESTMENT INCOME	14,902	14,663	239	1.6
REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized (loss) gain on investments	(221)	11,689	(11,910)	NM
Net realized loss on other		(29)	29	100.0
Net unrealized appreciation (depreciation) of investments	5,924	(29,400)	35,324	NM
Net unrealized depreciation of other	451	811	(360)	(44.4)
Net realized and unrealized gain (loss)	6,154	(16,929)	23,083	NM
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 21,056	\$ (2,266)	\$ 23,322	1,029.2%

BASIC AND DILUTED PER COMMON SHARE:

Net investment income	\$ 0.56	\$ 0.55	\$ 0.01	1.8%
Net increase (decrease) in net assets resulting from operations	\$ 0.80	\$ (0.09)	\$ 0.89	988.9%

NM = Not Meaningful

Total investment income increased by 11.0% for the nine months ended December 31, 2014, as compared to the prior year period. This increase was primarily due an overall increase in interest income in the nine months ended December 31, 2014, as a result of an increase in the size of our loan to portfolio during the nine months ended December 31, 2014. This was partially offset by a decrease in other income during the nine months ended December 31, 2014 as compared to the prior year period, due to success fee and dividend income resulting from our exit from Venyu Solutions, Inc. (Venyu) during the nine months ended December 31, 2013.

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Interest income from our investments in debt securities increased 18.8% for the nine months ended December 31, 2014, as compared to the prior year period. The level of interest income from investments is directly related to the principal balance of our interest-bearing investment portfolio outstanding during the period multiplied by the weighted average yield. The weighted average principal balance of our interest-bearing investment portfolio during the nine months ended December 31, 2014, was approximately \$282.1 million, compared to approximately \$236.7 million for the prior year period. This increase was primarily due to approximately \$95.9 million in new investments originated after December 31, 2013, including Head Country, Edge, Roanoke, Cambridge, Old World, and B+T.

At December 31, 2014, loans to one portfolio company, Tread, were on non-accrual status, with an aggregate weighted average principal balance of \$11.6 million during the nine months ended December 31, 2014. As of December 31, 2013, our loans to Tread were on non-accrual status. ASH, which was on non-accrual status as of September 30, 2013, was sold to certain members of its existing management team during the three months ended December 31, 2013. As a result of the sale, we retained a \$5.0 million accruing revolving credit facility in ASH, which was no longer on non-accrual status as of December 31, 2013. The non-accrual aggregate weighted average principal balance was \$22.4 million during the nine months ended December 2013. The weighted average yield on our interest-bearing investments was 12.6% for the nine months ended December 31, 2014 and 2013, excluding cash and cash equivalents and receipts recorded as other income. The weighted average yield varies from period to period, based on the current stated interest rate on interest-bearing investments.

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

Portfolio Company	As of December 31, 2014		Nine Months Ended December 31, 2014	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
SOG Specialty Knives and Tools, LLC	\$ 24,940	6.4%	\$ 2,536	8.3%
Old World Christmas, Inc. ^(A)	24,380	6.2	513	1.7
Acme Cryogenics, Inc.	22,942	5.8	1,274	4.2
Cambridge Sound Management, LLC ^(A)	22,556	5.7	517	1.7
Funko, LLC	19,011	4.8	833	2.7
Subtotal five largest investments	113,829	28.9	5,673	18.6
Other portfolio companies	280,316	71.1	24,797	81.4
Total investment portfolio	\$ 394,145	100.0%	\$ 30,470	100.0%

Portfolio Company	As of December 31, 2013		Nine Months Ended December 31, 2013	
	Fair Value	% of Portfolio	Investment Income	% of Total Investment Income
Acme Cryogenics, Inc.	\$ 27,719	9.5%	\$ 1,274	4.6%
SOG Specialty Knives and Tools, LLC	27,271	9.4	2,002	7.3
Galaxy Tool Holding Corp.	19,743	6.8	1,601	5.8
Alloy Die Casting Corp. ^(A)	16,320	5.6	421	1.5
Schylling Investments, LLC ^(A)	16,160	5.6	844	3.1

Subtotal five largest investments	107,213	36.9	6,142	22.3
Other portfolio companies	183,514	63.1	21,311	77.7
Total investment portfolio	\$ 290,727	100.0%	\$ 27,453	100.0%

^(A) New investment during the applicable period.

Other income decreased 24.3% from the prior year period. During the nine months ended December 31, 2014, other income primarily consisted of \$2.3 million of dividend income received from Mathey and \$0.5 million of

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prepayments of success fees from SOG. During the nine months ended December 31, 2013, other income primarily consisted of a combined \$3.3 million in success fee and dividend income received in connection with the exit of Venyu and \$0.8 million and \$0.2 million in success fee income resulting from prepayments received from Channel and Cavert, respectively.

Expenses

Total expenses, excluding any voluntary, irrevocable and non-contractual credits to the base management and incentive fees, increased 20.9% for the nine months ended December 31, 2014, as compared to the prior year period, primarily due to an increase in the base management fee, incentive fee, and interest and dividend expense, as compared to the prior year period.

The base management fee increased for the nine months ended December 31, 2014, as compared to the prior year period, as a result of the increased size of our portfolio over the respective periods. Additionally, an incentive fee of \$3.7 million was earned by the Adviser during the nine months ended December 31, 2014, compared to \$2.8 million for the prior year period. The base management fees, incentive fees, and their related unconditional and irrevocable voluntary credits are computed quarterly, as described under *Investment Advisory and Management Agreement* in Note 4 of the notes to our accompanying *Condensed Consolidated Financial Statements* and are summarized in the following table:

	Nine Months Ended December 31,	
	2014	2013
Average gross assets subject to base management fee ^(A)	\$ 355,800	\$ 308,333
Multiplied by prorated annual base management fee of 2.0%	1.5%	1.5%
Base management fee^(B)	5,337	4,625
Other credits to Adviser fees ^(B)	(1,855)	(1,627)
Net base management fee	\$ 3,482	\$ 2,998
Incentive fee^(B)	\$ 3,726	\$ 2,822

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

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

Interest and dividend expense increased 38.9% for the nine months ended December 31, 2014, as compared to the prior year period, primarily due to increased average borrowings under the Credit Facility. The weighted average balance outstanding on the Credit Facility during the nine months ended December 31, 2014, was \$74.4 million, as compared to \$31.1 million in the prior year period. The increase in average borrowings under the Credit Facility was partially offset by the decrease in interest rate due to an amendment of the Credit Facility that occurred in June 2014.

The dividend expense also increased with the offering of our Series B Term Preferred Stock in November 2014. We paid distributions on the Series B Term Preferred Stock for the pro-rated month of November 2014 and the full month of December 2014, which distribution represented a \$0.4 million increase from the prior year period, when the Series B Term Preferred Stock was not yet outstanding.

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During the nine months ended December 31, 2014, we recorded a realized loss on investments of \$0.2 million relating to post-closing adjustments on previous investment exits. During the nine months ended December 31, 2013, we recorded a net realized gain of \$11.7 million related to the \$24.8 million gain on the Venyu sale, partially offset by the realized losses of \$11.4 million and \$1.7 million related to the equity sales of ASH and Packerland, respectively.

Unrealized Appreciation (Depreciation)

During the nine months ended December 31, 2014, we recorded net unrealized appreciation of investments in the aggregate amount of \$5.9 million.

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

Portfolio Company	Nine months ended December 31, 2014		
	Realized Loss	Unrealized Appreciation (Depreciation)	Net Gain (Loss)
Funko, LLC	\$	\$ 7,093	\$ 7,093
Jackrabbit, Inc.		5,904	5,904
NDLI Inc.		3,755	3,755
Cambridge Sound Management, LLC		3,056	3,056
Mathey Investments, Inc.		2,749	2,749
SBS, Industries, LLC		1,894	1,894
Drew Foam Company, Inc.		1,893	1,893
Alloy Die Casting Corp.		1,583	1,583
Tread Corp.		1,007	1,007
Edge Adhesives Holdings, Inc.		416	416
Venyu Solutions, Inc. (A)	(220)		(220)
Quench Holdings Corp.		(303)	(303)
Meridian Rack & Pinion, Inc.		(557)	(557)
Head Country Inc.		(1,120)	(1,120)
Country Club Enterprises, LLC		(1,565)	(1,565)
SOG Specialty K&T, LLC		(1,699)	(1,699)
Channel Technologies Group, LLC		(1,843)	(1,843)
Danco Acquisition Corp.		(2,308)	(2,308)
B-Dry, LLC		(2,778)	(2,778)
Galaxy Tool Holding Corp.		(2,992)	(2,992)
Acme Cryogenics, Inc.		(3,958)	(3,958)
Mitchell Rubber Products, Inc.		(4,166)	(4,166)
Other, net (<\$250 Net)	(1)	(137)	(138)
Total	\$ (221)	\$ 5,924	\$ 5,703

(A) Venyu was sold in August 2013.

The primary changes in our net unrealized appreciation for the nine months ended December 31, 2014, were due to an increase in equity valuations in several of our portfolio companies, primarily due to increased portfolio company performance and increases in certain comparable multiples used to estimate the fair value of our investments.

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During the nine months ended December 31, 2013, we recorded net unrealized depreciation of investments in the aggregate amount of \$29.4 million, which included the reversal of a net \$4.2 million in net unrealized appreciation, related to the sale of Venyu, ASH, and Packerland, and debt repayments of Cavert and Channel. Excluding reversals, we had \$25.2 million in net unrealized depreciation for the nine months ended December 31, 2013.

The realized gains (losses) and unrealized appreciation (depreciation) across our investments for the nine months ended December 31, 2013, were as follows:

Portfolio Company	Nine months ended December 31, 2013			
	Realized Gain (Loss)	Unrealized Appreciation (Depreciation)	Reversal of Unrealized (Appreciation) Depreciation	Net Gain (Loss)
Venyu Solutions, Inc. ^(A)	\$ 24,804	\$ (1,596)	\$ (17,374)	\$ 5,834
Auto Safety House, LLC ^(B)	(11,402)	4,938	11,410	4,946
Quench Holdings Corp.		2,824		2,824
Channel Technologies Group, LLC		2,921	(583)	2,338
Frontier Packaging, Inc.		1,734		1,734
Funko, LLC		1,043		1,043
Packerland Whey Products, Inc. ^(C)	(1,754)	(369)	2,500	377
Cavert II Holding Corp		145	(175)	(30)
Mitchell Rubber Products, Inc.		(602)		(602)
Star Seed, Inc.		(936)		(936)
Tread Corp.		(1,110)		(1,110)
Galaxy Tool Holding Corp.		(1,133)		(1,133)
Mathey Investments, Inc.		(1,697)		(1,697)
SOG Specialty K&T, LLC		(2,551)		(2,551)
Drew Foam Company, Inc.		(2,645)		(2,645)
Precision Southeast, Inc.		(3,227)		(3,227)
Noble Logistics, Inc.		(3,832)		(3,832)
Schylling Investments, LLC		(3,840)		(3,840)
B-Dry, LLC		(4,013)		(4,013)
SBS, Industries, LLC		(4,414)		(4,414)
Ginsey Home Solutions, Inc.		(6,731)		(6,731)
Other, net (<\$250 Net)	41	(87)		(46)
Total	\$ 11,689	\$ (25,178)	\$ (4,222)	\$ (17,711)

(A) Venyu was sold in August 2013.

(B) ASH equity investment was sold in October 2013.

(C) Packerland equity investment was sold in November 2013.

The primary changes in our net unrealized depreciation for the nine months ended December 31, 2013, were due to decreased equity valuations in several of our portfolio companies, primarily due to decreased portfolio company performance and decreases in certain comparable multiples used to estimate the fair value of our investments.

Over our entire investment portfolio, we recorded, in the aggregate, approximately \$1.7 million and \$4.2 million of net unrealized appreciation on our debt and equity investments, respectively, for the nine months ended December 31, 2014. As of December 31, 2014, the fair value of our investment portfolio was less than our cost basis by approximately \$63.2 million, as compared to \$69.1 million at March 31, 2014, representing net unrealized appreciation of \$5.9 million for the nine months ended December 31, 2014. We believe that our

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aggregate investment portfolio is valued at a depreciated value due to the lingering effects of the recent recession on the performance of certain of our portfolio companies. Our entire portfolio was fair valued at 86.2% of cost as of December 31, 2014. The unrealized depreciation of our investments does not have an impact on our current ability to pay distributions to stockholders; however, it may be an indication of future realized losses, which could ultimately reduce our income available for distribution.

Realized and Unrealized (Loss) Gain on Other*Realized Loss on Interest Rate Cap*

We recorded no realized gains (losses) on interest rate caps during the nine months ended December 31, 2014. For the nine months ended December 31, 2013, we recorded a net realized loss of \$29, due to the expiration of our interest rate cap agreement.

Net Unrealized Depreciation (Appreciation) on Borrowings

For the nine months ended December 31, 2014 and 2013, we recorded \$0.5 million and \$0.8 million, respectively, of net unrealized depreciation.

LIQUIDITY AND CAPITAL RESOURCES**Operating Activities**

Net cash used in operating activities for the nine months ended December 31, 2014, was approximately \$56.6 million, as compared to \$11.3 million during the nine months ended December 31, 2013. Even though we disbursed \$100.1 million in the prior year period to purchase investments compared to \$79.3 million in the current period, the prior year period had significant cash inflows from the sale of Venyu to offset the purchase of investments. The sale of Venyu in August 2013 resulted in proceeds of \$30.8 million and principal repayments of \$19.0 million. Our cash flows from operations generally come from cash collections of interest and dividend income from our portfolio companies, as well as cash proceeds received through repayments of loan investments and sales of equity investments. These cash collections are primarily used to pay distributions to our stockholders, interest payments on the Credit Facility, dividend payments on our two series of term preferred stock, management fees to the Adviser, and other entity-level expenses.

As of December 31, 2014, we had equity investments in or loans to 32 private companies with an aggregate cost basis of approximately \$457.4 million. As of December 31, 2013, we had equity investments in or loans to 26 private companies with an aggregate cost basis of approximately \$360.1 million. The following table summarizes our total portfolio investment activity during the nine months ended December 31, 2014 and 2013:

	Nine Months Ended December 31,	
	2014	2013
Beginning investment portfolio, at fair value	\$ 314,393	\$ 286,482
New investments	67,202	96,848
Disbursements to existing portfolio companies	12,127	3,286
Increase in investment balance due to PIK	78	58

Scheduled principal repayments	(878)	(110)
Unscheduled principal repayments	(4,701)	(46,524)
Net proceeds from sales	221	(31,602)
Net realized (loss) gain	(221)	11,689
Net unrealized appreciation (depreciation)	5,924	(25,178)
Reversal of net unrealized appreciation		(4,222)
Ending investment portfolio, at fair value	\$ 394,145	\$ 290,727

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The following table summarizes the contractual principal repayment and maturity of our investment portfolio by fiscal year, assuming no voluntary prepayments, as of December 31, 2014:

		Amount
For the remaining three months ending		
March 31:	2015	\$ 25,224
For the fiscal year ending March 31:	2016	48,529
	2017	24,915
	2018	89,159
	2019	84,181
	Thereafter	60,920
	Total contractual repayments	\$ 332,928
	Investments in equity securities	124,437
	Total cost basis of investments held at December 31, 2014:	\$ 457,365

Financing Activities

Net cash provided by financing activities for the nine months ended December 31, 2014, was approximately \$57.0 million, which consisted primarily of \$34.6 million of net borrowings on the Credit Facility. In addition, we had proceeds from the issuance of our Series B Term Preferred Stock in November 2014 of \$41.4 million, which was partially offset by \$15.6 million in distributions to common stockholders. Net cash used in financing activities for the nine months ended December 31, 2013, was approximately \$59.5 million and consisted primarily of net repayments of our short-term borrowings of \$49.5 million and distributions to common stockholders of \$14.0 million, partially offset by \$5.2 million in net borrowings from the Credit Facility.

Distributions

To qualify to be taxed as a RIC and thus avoid corporate level tax on the income we distribute to our stockholders, we are required under Subchapter M of the Code, to distribute to our stockholders at least 90.0% of our ordinary income and realized net short-term capital in excess of realized net long-term losses, if any, on an annual basis. In accordance with these requirements, we declared and paid monthly cash distributions of \$0.06 per common share for each of the nine months from April 2014 through December 2014, as well as a one-time special distribution of \$0.05 in December 2014. In January 2015, our Board of Directors also declared a monthly distribution of \$0.06 per common share for each of January, February and March 2015. Our Board of Directors declared these distributions based on estimates of net taxable income for the fiscal year ending March 31, 2015.

For our federal income tax reporting 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. Therefore, a determination of tax attributes made on a quarterly basis may not be representative of the actual tax attributes of distributions for a full fiscal year. If we determined the tax attributes of our distributions as of December 31, 2014, 100.0% would be from ordinary income. For the nine months ended December 31, 2014, we recorded a \$0.3 million adjustment for estimated book-tax differences which decreased capital in excess of par value and increased net investment income in excess of distributions. For the fiscal year ended March 31, 2014, our

distributions to common stockholders totaled \$18.8 million, and were less than our taxable income over the same year. At March 31, 2014, we elected to treat \$3.9 million, of the first distribution paid after fiscal year-end as having been paid in the prior fiscal year, in accordance with Section 855(a) of the Code. Additionally, the covenants in the Credit Facility generally restrict the amount of distributions that we can pay out to be no greater than our net investment income.

We also declared and paid monthly cash distributions of \$0.1484375 per share to holders of our Series A Term Preferred Stock for each of the nine months from April 2014 through December 2014. For the nine months ended

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December 31, 2014, our Board of Directors declared and we paid distributions for the pro-rated month of November 2014 and the full month of December 2014 in aggregate of \$0.2250 to our holders of Series B Term Preferred Stock. In January 2015, our Board of Directors also declared a monthly distribution of \$0.1484375 and \$0.140625 per preferred share for each of January, February and March 2015 to the holders of our Series A Term Preferred Stock and Series B Term Preferred Stock, respectively. In accordance with GAAP, we treat these monthly distributions as an operating expense. The tax character of distributions paid by us to preferred stockholders generally constitute ordinary income to the extent of our current and accumulated earnings and profits.

Equity*Registration Statement*

We filed a registration statement on Form N-2 (File No. 333-181879) with the SEC on June 4, 2012, and subsequently filed a Pre-Effective Amendment No. 1 to the registration statement on July 17, 2012, which the SEC declared effective on July 26, 2012. On June 7, 2013, we filed Post-Effective Amendment No. 2 to the registration statement, which the SEC declared effective on July 26, 2013. On June 3, 2014, we filed Post-Effective Amendment No. 3 to the registration statement, and subsequently filed a Post-Effective Amendment No. 4 to the registration statement on September 2, 2014, which the SEC declared effective on September 4, 2014. The registration statement permits us to issue, through one or more transactions, up to an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities and warrants to purchase common or preferred stock, including through a combined offering of two or more of such securities. We have the ability to issue up to \$225.6 million in securities under the registration statement. We issued approximately \$33.0 million of Common Stock under the registration statement in October and November 2012, approximately \$41.4 million of our Series B Term Preferred Stock under the registration statement in November and December 2014 and approximately \$28.1 million of our Common Stock in March and April 2015. No other securities have been issued to date under the registration statement.

Common Stock

Pursuant to our registration statement on Form N-2 (Registration No. 333-181879), on October 5, 2012, we completed a public offering of 4.0 million shares of our Common Stock at a public offering price of \$7.50 per share, which was below then current NAV of \$8.65 per share. Gross proceeds totaled \$30.0 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were \$28.3 million, which was used to repay borrowings under the Credit Facility. In connection with the offering, in November 2012, the underwriters exercised their option to purchase an additional 395,825 shares at the public offering price to cover over-allotments, which resulted in gross proceeds of \$3.0 million and net proceeds, after deducting underwriting discounts and offering expenses, of \$2.8 million. In March 2015, we completed a public offering of 3.3 million shares of our Common Stock at a public offering price of \$7.40 per share, which was below then current NAV of \$8.55 per share. Gross proceeds totaled approximately \$24.4 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were approximately \$23.0 million, which were primarily used to repay borrowings under the Credit Facility. In connection with the offering, in April 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price to cover over-allotments, which resulted in additional gross proceeds of approximately \$3.7 million and net proceeds, after deducting underwriting discounts, of approximately \$3.5 million. Aggregate gross proceeds for the 3,795,000 shares were approximately \$28.1 million and net proceeds, after deducting underwriting discounts and offering expenses borne by us, were \$26.4 million.

We anticipate issuing additional equity securities to obtain additional capital in the future. However, we cannot determine the 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 consistently 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

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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. On

February 3, 2015, the closing market price of our Common Stock was \$7.37 per share, representing a 13.8% discount to our NAV of \$8.55 as of December 31, 2014. 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 2014 Annual Meeting of Stockholders held on August 7, 2014, our stockholders approved a proposal authorizing us to issue and sell shares of our Common Stock at a price below our then current NAV per 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.

Term Preferred Stock

Pursuant to our registration statement on Form N-2 (File No. 333-181879), in November 2014, we completed an offering of approximately 1.7 million shares of Series B Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$41.4 million, and net proceeds, after deducting underwriting discounts and offering expenses borne by us were \$39.7 million, a portion of which was used to repay borrowings under the Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. We incurred \$1.7 million in total offering costs related to the offering, which have been recorded as an asset in accordance with GAAP and are being amortized over the redemption period ending December 31, 2021.

Our Series B Term Preferred Stock provides for a fixed dividend equal to 6.75% per year, payable monthly (which equates to a total of \$2.8 million per year). We are required to redeem all 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, to the date of redemption. Our Series B Term 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 our Series B Term Preferred Stock have been paid in full. Our Series B Term Preferred Stock is not convertible into our Common Stock or any other security. 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, (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.

Pursuant to the prior registration statement on Form N-2 (File No. 333-160720), in March 2012, we completed an offering of 1.6 million shares of Series A Term Preferred Stock at a public offering price of \$25.00 per share. Gross proceeds totaled \$40 million, and net proceeds, after deducting underwriting discounts and offering expenses borne by us were \$38 million, a portion of which was used to repay borrowings under the Credit Facility, with the remaining proceeds being held to make additional investments and for general corporate purposes. We incurred \$2 million in total offering costs related to the offering, which have been recorded as an asset in accordance with GAAP and are being amortized over the redemption period ending February 28, 2017.

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 our 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, to the date of redemption. Our Series A Term 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 our Series A Term Preferred Stock have been paid in full. Our Series A Term Preferred Stock is not convertible into our Common

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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 our outstanding Series A Term Preferred Stock; (2) if we fail to maintain an asset coverage ratio of at least 200.0%, we are required to redeem a portion of our 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.

Our Series A Term Preferred Stock and Series B Term Preferred Stock have been recorded as a liability in accordance with GAAP and, as such, affect our asset coverage, exposing us to additional leverage risks.

Revolving Credit Facility

On June 26, 2014, we, through Business Investment, entered into Amendment No. 1 to the Credit Facility, with Key Equipment, as administrative agent, lead arranger and a lender; BB&T, as a lender and managing agent; 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 14 months 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 (two years after the revolving period end date). In addition, we have retained the two one-year extension options, to be agreed upon by all parties, which may be exercised on or before June 26, 2015 and 2016, respectively, and upon exercise, the options would extend the revolving period to June 26, 2018 and 2019 and the maturity date to June 26, 2020 and 2021, respectively. Subject to certain terms and conditions, the Credit Facility can be expanded by up to \$145.0 million, to a total facility amount of \$250 million, through additional commitments of existing or new committed lenders. Advances under the Credit Facility generally bear interest at 30-day LIBOR, plus 3.25% per annum, down from 3.75% prior to the amendment, and the 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, which are being amortized through the Credit Facility's revolver period end date of June 26, 2017.

On September 19, 2014, we further increased our borrowing capacity under the Credit Facility from \$105.0 million to \$185.0 million by entering into Joinder Agreements pursuant to the Credit Facility, by and among Business Investment, Key Equipment, the Adviser and each of East West Bank, Manufacturers and Traders Trust, Customers Bank and Talmer Bank and Trust. We incurred fees of \$1.3 million in connection with this expansion, which are being amortized through the Credit Facility's revolver period end date of June 26, 2017.

The 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 facility generally also limits payments as distributions to the aggregate net investment income for each of the twelve month periods ending March 31, 2015, 2016 and 2017. We are also subject to certain limitations on the type of loan investments we can make, including restrictions on geographic concentrations, sector concentrations, loan size, dividend payout, payment frequency and status, average life and lien property. The Credit Facility also requires us to comply with other financial and operational covenants, which obligate us to, among other things, maintain certain financial ratios, including asset and interest coverage, a minimum net worth 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 million plus 50.0% of all equity and subordinated debt raised after April 30, 2013, which equates to \$170 million as of December 31, 2014, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200.0%, in accordance with Section 18 of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of December 31, 2014, and as defined in the performance guaranty of the Credit

Facility, we had a minimum net worth of \$307.7 million, an asset coverage of 220.7% and an active status as a BDC and RIC. As of May 1, 2015, we were in compliance with all covenants.

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The Credit Facility also requires that any interest or principal payments on pledged loans be remitted directly by the borrower into a lockbox account with Key Equipment and with The Bank of New York Mellon Trust Company, N.A. as custodian. Key Equipment is also the trustee of the account and generally remits the collected funds to us once a month.

Pursuant to the terms of the Credit Facility, in July 2013, we entered into a forward interest rate cap agreement, effective October 2013 and expiring April 2016, for a notional amount of \$45 million. We incurred a premium fee of \$75 in conjunction with this agreement. The interest rate cap agreement effectively limits the interest rate on a portion of the borrowings pursuant to the terms of the Credit Facility.

Contractual Obligations and Off-Balance Sheet Arrangements

We have lines of credit to certain of our portfolio companies that have not been fully drawn. Since these lines of credit have expiration dates and we expect many will never be fully drawn, the total line of credit commitment amounts do not necessarily represent future cash requirements. We estimate the fair value of the unused line of credit commitments as of December 31 and March 31, 2014 to be minimal.

In addition to the lines of credit to our portfolio companies, we have also extended certain guarantees on behalf of some of our portfolio companies, whereby we have guaranteed an aggregate of \$2.7 million of obligations of Country Club Enterprises, LLC. As of December 31, 2014, we have not been required to make any payments on any of the guarantees, and we consider the credit risks to be remote and the fair value of the guarantees to be minimal.

The following table shows our contractual obligations as of December 31, 2014, 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	95,800			95,800	
Term preferred stock	81,400			40,000	41,400
Secured borrowing	5,096			5,096	
Interest payments on obligations ^(B)	44,915	9,766	17,321	12,474	5,354
Total	\$ 227,211	\$ 9,766	\$ 17,321	\$ 153,370	\$ 46,754

(A) Excludes our unused line of credit commitments and guaranties to our portfolio companies in the aggregate amount of \$9.6 million.

(B) Includes interest payments due on the Credit Facility and dividend obligations on each series of our term preferred stock. Dividend payments on our term preferred stock assume quarterly declarations and monthly distributions 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 our investment valuation policy (the Policy) as our most critical accounting policy.

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The most significant estimate inherent in the preparation of our consolidated financial statements is the valuation of our investments and the related amounts of unrealized appreciation and depreciation of investments recorded in our accompanying *Condensed Consolidated Financial Statements*.

Accounting Recognition

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

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

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

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

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs are those inputs that reflect assumptions that market participants would use when pricing the financial instrument and can include the Valuation Team's own 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 December 31 and March 31, 2014, all of our investments were valued using Level 3 inputs and during the nine months ended December 31, 2014 and 2013, there were no investments transferred in to or out of Level 1, 2 or 3.

Board Responsibility

In accordance with the 1940 Act, our Board of Director has the ultimate responsibility for reviewing and approving, in good faith, the fair value of our investments based on the Policy. Our Board of Directors reviews valuation recommendations that are provided by 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

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Team, led by the chief valuation officer, uses the Policy 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.

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. Currently, the third-party service provider SPSE provides estimates of fair value on the majority of 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 estimates of value on a specific debt investment may significantly differ from SPSE's. When this occurs, our Board of Directors reviews whether the Valuation Team has followed the Policy and whether the Valuation Team's recommended value 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 valuation.

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 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.

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 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 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 references industry statistics and may use outside experts when gathering this information. Once the TEV is determined for a portfolio company, the Valuation Team then 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 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

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the DCF to calculate the 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.

In addition to the above valuation techniques, the Valuation Team may also consider other factors when determining fair values of our investments, including, but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the most recently completed quarter are generally valued at original cost basis. Fair value measurements of our investments may involve subjective judgments and estimates and due to the inherent uncertainty of determining these fair values, the fair value of our investments may fluctuate from period to period. 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.

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, are used as inputs in our valuation techniques. 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 debt securities, the Adviser uses a proprietary risk rating system. While the Adviser seeks to mirror the Nationally Recognized Statistical Rating Organization (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. During the three months ended June 30, 2014, we modified our risk rating model to incorporate additional factors in our qualitative and quantitative analysis. While the overall process did not change, we believe the additional factors enhance the quality of the risk ratings of our investments. No adjustments were made

to prior periods as a result of this modification.

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The following table lists the entity-level risk ratings for all loans in our portfolio as of December 31 and March 31, 2014, representing 100.0%, of the principal balance of all loans in our portfolio at the end of each period:

Rating	As of December 31, 2014	As of March 31, 2014
Highest	8.6	9.1
Average	6.2	5.7
Weighted Average	6.2	5.2
Lowest	2.8	2.6

Tax Status*Federal Income Taxes*

We intend to continue to qualify for treatment as a RIC under Subchapter M of the Code. As a RIC, we are not subject to federal income tax on the portion of our taxable income and gains distributed to stockholders. To maintain our qualification as a RIC, we must meet certain source-of-income, asset diversification and annual distribution requirements. In addition, in order to qualify to be taxed as a RIC, we must also meet certain annual stockholder distribution requirements. To satisfy the RIC annual distribution requirement, we must distribute to stockholders at least 90.0% of our investment company taxable income, as defined by the Code. 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 excise taxes imposed on RICs, we generally distribute 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 for preceding years that were not distributed during such years. However, we did incur an excise tax of \$0.3 million and \$31 for the calendar years ended December 31, 2013 and 2012, respectively and as of December 31, 2014, have accrued \$0.1 million in excise tax expense recorded in other general and administrative expenses on our accompanying *Condensed Consolidated Statement of Operations* for the calendar year ended December 31, 2014. Under the RIC Modernization Act, we are permitted to carry forward capital losses incurred in taxable years beginning after March 31, 2011, for an unlimited period. However, any losses incurred during those future taxable years must be used prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than only being considered short-term as permitted under previous regulation. Our total capital loss carryforward balance was \$0.2 million as of March 31, 2014.

Revenue 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 December 31, 2014, our loans to Tread were on non-accrual status, with an aggregate debt cost basis of \$10.7 million, or 3.2% of the cost basis of all debt investments in our portfolio, and

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an aggregate fair value of \$0. As of March 31, 2014, our loans to Tread were on non-accrual status, with an aggregate debt cost basis of \$11.7 million, or 4.2% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$0.

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 December 31, 2014, we did not have any loans with a PIK interest component and as of March 31, 2014, we had one loan with a PIK interest component. During the three and nine months ended December 31, 2014, we recorded PIK income of \$29 and \$68, respectively. During the three and nine months ended December 31, 2014, we recorded PIK income of \$20 and \$78, respectively. We collected \$0.2 million PIK interest in cash during the three and nine months ended December 31, 2014 and \$0 PIK interest in cash during the three and nine months ended December 31, 2013.

Other Income Recognition

We generally record success fees upon receipt of cash. Success fees are contractually due upon a change of control in a portfolio company. We received an aggregate of \$0.5 million and \$1.0 million of success fees for the three and nine months ended December 31, 2014, respectively, which resulted from prepaid success fees of \$0.5 million from SOG in December 2014, 0.2 million from ASH in September 2014, \$0.2 million from Frontier Packaging, Inc. in September 2014 and \$0.1 million from Mathey in September 2014. We received an aggregate of \$1.1 million and \$3.4 million of success fees during the three and nine months ended December 31, 2013, respectively, which resulted from \$0.8 million related to the Channel debt repayment in October 2013 and \$0.2 million related to the Cavert debt repayment in December 2013.

We accrue dividend income on preferred and common equity securities to the extent that such amounts are expected to be collected and if we have the option to collect such amounts in cash or other consideration. During the three and nine months ended December 31, 2014, we recorded \$1.4 million and \$2.7 million of dividend income from Mathey, respectively. During the three and nine months ended December 31, 2013, we recorded \$1.4 million in dividend income related to the exit of Venyu.

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

Recent Accounting Pronouncements

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

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LEGAL PROCEEDINGS

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While we do not expect that the resolution of these matters if they arise would materially affect our business, financial condition or results of operations, resolution will be subject to various uncertainties and could result in the expenditure of significant financial and managerial resources.

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Table of Contents**MANAGEMENT**

On October 7, 2014, the Board of Directors elected Walter H. Wilkinson, Jr. to the board to fill the directorship vacancy created upon the death of a former director. Mr. Wilkinson was also appointed a member of each of the Company's Compensation Committee and Ethics, Nominating and Corporate Governance Committee, effective immediately. Mr. Wilkinson, age 69, is an independent director within the meaning of NASDAQ Stock Market Marketplace Rule 5605(a)(2) and Section 10A of the Exchange Act. Because Mr. Wilkinson is filling a vacancy on our board, Mr. Wilkinson's initial term will expire on the date of the Company's 2015 Annual Meeting of Shareholders. Mr. Wilkinson has also served as a director of Gladstone Commercial, Gladstone Capital and Gladstone Land since October 2014.

Mr. Wilkinson is the founder and a general partner of Kitty Hawk Capital, a venture capital firm established in 1980 and based in Charlotte, North Carolina. He has served as a director of RF Micro Devices (NASDAQ: RFMD) since 1992 and served as the Chairman of the Board of Directors from July 2008 until January 2015 when RF Micro Devices merged with Triquint Semiconductor, Inc. (NASDAQ: TQNT) to form the new company QORVO (NASDAQ:QRVO) where he serves as lead director. He currently serves on the board of the N.C. State University Foundation and has previously served on the boards of other universities and related organizations. He is a past member and director of the National Venture Capital Association and is a past member and Chairman of the National Association of Small Business Investment Companies. He was founding Chairman of the Carolinas Chapter of the National Association of Corporate Directors (NACD), is currently on NACD's board and is a NACD Leadership Fellow, having completed the NACD's program for corporate directors. During his career he has helped to start or expand dozens of rapidly growing companies in a variety of industries. Mr. Wilkinson serves or has served as a director of numerous venture-backed companies, both public and private. He is a graduate of N.C. State University (BS) and the Harvard Graduate School of Business Administration (MBA).

Mr. Wilkinson was selected to serve as an independent director on our Board of Directors due to his strong leadership skills, his past service on other public company boards and his over 35 years of venture capital experience.

On November 17, 2014, the Board of Directors elected Caren D. Merrick to the board to fill a directorship vacancy. Ms. Merrick was also appointed a member of the Company's Audit Committee, effective immediately. Ms. Merrick, age 55, is an independent director within the meaning of NASDAQ Stock Market Marketplace Rule 5605(a)(2) and Section 10A of the Exchange Act. Because Ms. Merrick is filling a vacancy on our board, Ms. Merrick's initial term will expire on the date of the Company's 2015 Annual Meeting of Shareholders. Ms. Merrick has also served as a director of Gladstone Commercial, Gladstone Capital and Gladstone Land since November 2014.

Ms. Merrick is the founder of, and since 2014 has served as the chief executive officer of, Pocket Mentor, a mobile application and digital publishing company focused on leadership development and career advancement. Since 2004 she has served as a partner with Bibury Partners, an investment and advisory firm that focuses on enterprise and consumer technology sectors. In addition, she has served as a board member of the Metropolitan Washington Airports Authority since 2012. Ms. Merrick co-founded, and from 1996 to 2001 served as an executive vice president of, webMethods, Inc., a company that provides business-to-business enterprise software solutions for Global 2000 companies. Ms. Merrick served on the boards of directors of VisualCV, a venture-backed online resume and corporate talent management solution, from 2008 to 2011, Inova Healthcare Services from 2001 to 2005, and the Northern Virginia Technology Council from 2000 to 2004. Ms. Merrick previously served as a member of the Technology Subgroup on the Virginia Governor's Economic Development and Jobs Creation Commission from 2010 to 2011. Ms. Merrick also was director of AOL.com for America Online from 1996 to 1997, and has also been a consultant for Australia Post, a \$5 billion government business enterprise that provides postal, retail and financial, logistics and fulfillment services across Australia. Ms. Merrick is also a founding investor in Venture Philanthropy Partners, a

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organization that mentors nonprofit leaders in growing programs to improve the lives of children from low income families in the National Capital Region. She has also served on the boards of several Washington, DC area charities, including Greater DC Cares, CharityWorks, the Fairfax Symphony and the Langley School. She is an active member of ARCS Advancing Science in America Achievement Awards for College Scientists. She also currently serves on the Board of the Global Good Fund and the Women in Technology's Leadership Foundry. Ms. Merrick received a BA in political science from the University of California, Los Angeles, and has received a Certificate of Director Education from the National Association of Corporate Directors.

Ms. Merrick was selected to serve as an independent director on our Board of Directors due to her knowledge and experience in operating a business and her understanding of the small business area through experiences overseeing the successful growth of her own business and several large and small businesses, charities and non-profits.

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

Ms. Morrison, age 42, was appointed chief financial officer and treasurer of the Company in January 2015. Ms. Morrison originally joined The Gladstone Companies as chief accounting officer of Gladstone Capital in October 2011 and became the chief financial officer of Gladstone Capital in April 2013 and treasurer of Gladstone Capital in January 2015. Prior to joining Gladstone, she served as the Americas corporate controller for Tandberg, which was later purchased by Cisco Systems. Ms. Morrison has also worked for DynCorp and Ericsson as a financial reporting manager and assistant controller and began her career at PricewaterhouseCoopers working on attest engagements. Ms. Morrison is a CPA with the Commonwealth of Virginia and a Magna Cum Laude graduate from the College of William and Mary where she earned a BBA in Accounting. She is a member of the VSCPA and AICPA.

On April 16, 2015, the Board of Directors appointed Julia Ryan, age 34, as the Company's chief accounting officer. Prior to joining the Company, Ms. Ryan served as a Senior Manager Assurance Services at KPMG LLP, where she worked from 2004 to 2015. In this role, she primarily provided services to public companies in the asset management and real estate industries.

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

*The following is a brief description of the terms of our 6.50% Series C 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 and May 2015, our Board of Directors designated 1,700,000 shares of Preferred Stock as Series C Term Preferred Stock. Terms of the Series C Term Preferred Stock are set forth in the Certificate of Designation.

At the time of issuance, the Series C 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 C Term Preferred Stock will rank equally 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 C Term Preferred Stock is, and all other Preferred Stock that is currently outstanding and that we may issue in the future will be, senior as to 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 C Term Preferred Stock will not receive certificates representing their ownership interest in such shares, and the shares of Series C 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 C Term Preferred Stock.

Dividends and Dividend Periods*General*

The holders of the Series C 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 and Series B 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 C 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 C Term Preferred Stock. The Fixed Dividend Rate is computed on the basis of a 360-day year consisting of twelve 30-day months. 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 6.50% for the Series C Term Preferred Stock. The Fixed Dividend Rate for the Series C Term Preferred Stock may be adjusted in certain circumstances, including upon the occurrence of certain events resulting in a Default Period (as defined below).

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Payment of Dividends and Dividend Periods

The first Dividend Period for the Series C Term Preferred Stock will commence on the Date of Original Issue and end on June 30, 2015, and each subsequent Dividend Period will be a calendar month (or the portion thereof occurring prior to the redemption of such Series C Term Preferred Stock). Dividends will be payable monthly in arrears on the last Business Day of the Dividend Period, or the Dividend Payment Date, and upon redemption of the Series C 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 C 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 C Term Preferred Stock will be declared in May 2015 and paid on June 30, 2015 to holders of record of such Series C Term Preferred Stock as their names appear on our registration books at the close of business on June 19, 2015.

Only holders of Series C 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 C Term Preferred Stock who sell shares before such a record date and purchasers of Series C 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 C Term Preferred Stock.

Although dividends will accrue and be paid monthly, the record date for holders of Series C Term Preferred Stock entitled to receive dividend payments may vary from month-to-month. We will notify holders of the Series C 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 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 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.

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 C Term Preferred Stock. Dividends will be paid by the Redemption and Paying Agent to the holders of Series C 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 C 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 C Term Preferred Stock which may be in arrears. See Adjustment to Fixed Dividend Rate Default Period.

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Upon failure to pay dividends for at least two years, the holders of Series C 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 C 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 C Term Preferred Stock will commence on a date we fail to deposit the Deposit Securities to redeem the Series C Term Preferred Stock in any circumstance in which redemption is required or we fail to pay a dividend on the Series C 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 four percent (4.00%) 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 three Business Days after the applicable Dividend Payment Date or Redemption Date, 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 C 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 C 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 C 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.

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 C Term Preferred Stock and all other series of Preferred Stock, if any, ranking on parity with the Series C 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

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to a Term Redemption (as defined below), 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 C 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 C Term Preferred Stock and other current or future series of Preferred Stock ranking on parity with the Series C Term Preferred Stock with respect to dividends and distributions for all applicable past dividend periods including the Series A Term Preferred Stock and Series B 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 C 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 C Term Preferred Stock and any other series of Preferred Stock, such as the Series A Term Preferred Stock and Series B 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 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 the close of business on the last Business Day of a calendar quarter, the Series C 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, as defined for purposes of Section 18(h) of the 1940 Act as in effect on the date of the Certificate of Designation, determined on

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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 C 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 C 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) to, but excluding, the Mandatory Term Redemption Date, which we refer to as the Term Redemption Price. If such Redemption Date 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 C Term Preferred Stock will be payable on such Dividend Payment Date to the holders of record of such shares of Series C Term Preferred Stock at the close of business on the applicable record date, and will not be payable as part of the Term Redemption Price for such shares of Series C Term Preferred Stock.

Mandatory Redemption for Asset Coverage

If we fail to have Asset Coverage of at least 200% as provided in the Certificate of Designation 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 C 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) 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 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 215%. 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 C 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 C 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.

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Optional Redemption

On or after May 31, 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 C Term Preferred Stock, at a redemption price equal to the Liquidation Preference, plus an amount equal to all unpaid dividends and distributions accumulated 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 C 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 C 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 value not less than the amount due to holders of shares of Series C Term Preferred Stock by reason of the redemption of such shares of Series C 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 C Term Preferred Stock, unless we have exercised our option to redeem such Series C 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 C 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 and Series B 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 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 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.

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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 C 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 C 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 C 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 C Term Preferred Stock to be redeemed will be selected either (1) pro rata among Series C 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 C 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 C 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.

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 C 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 C 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 no later than 15 calendar days prior to the Mandatory Term Redemption Date.

Upon the date of the deposit of Deposit Securities by us for purposes of redemption of shares of Series C Term Preferred Stock, all rights of the holders of Series C 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

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shares of Series C 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 C 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 C 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 C 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 Designation 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 C Term Preferred Stock, dividends may be declared and paid on such shares of Series C Term Preferred Stock in accordance with their terms if Deposit Securities for the payment of the Redemption Price of such shares of Series C Term Preferred Stock shall not have been deposited in trust with the Redemption and Paying Agent for that purpose.

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

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 C 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 C 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 C 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 C Term Preferred Stock plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series C 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.

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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 C Term Preferred Stock will be entitled to one vote for each share of Series C 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 C 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 C 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 C 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 will be up for election 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 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 C Term Preferred Stock, accumulated dividends (whether or not earned or declared) on the shares of Preferred Stock, including the Series C 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 C 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 C 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

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declare and set apart for payment, in full all dividends payable on all outstanding shares of Preferred Stock, including Series C 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 C Term Preferred Stock, issued after the date hereof will vote with Series C Term Preferred Stock as a single class on the matters described above, and the issuance of any other Preferred Stock, including Series C Term Preferred Stock, by us may reduce the voting power of the holders of Series C 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 10 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 C 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 C 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 the Series C 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 C Term Preferred Stock, and (ii) a division of a share of Series C 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 C 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 C 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 C Term Preferred Stock, or (ii) creates, alters or abolishes any right in respect of redemption of such Series C Term Preferred Stock (other than as a result of a division of such Series C Term Preferred Stock).

So long as any shares of Series C 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 C 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 pay the Term Redemption Price on the Term Redemption Date for the Series C Term Preferred

Stock or to accumulate dividends at the Dividend Rate will be effected without, in each case, the prior unanimous vote or consent of the holders of Series C Term Preferred Stock.

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The affirmative vote of the holders of at least a majority of the outstanding shares of Preferred Stock, including the shares of Series C 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 C 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 C Term Preferred Stock will be entitled to vote any shares of Series C Term Preferred Stock and no share of Series C 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 C 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 C Term Preferred Stock will have been irrevocably deposited with the Redemption and Paying Agent for that purpose. No shares of Series C 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 C 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 C Term Preferred Stock will have no rights to cumulative voting. In the event that we fail to declare or pay any dividends on Series C 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.

Issuance of Additional Preferred Stock

So long as any shares of Series C Term Preferred Stock are outstanding, we may, without the vote or consent of the holders thereof, authorize, establish and create and issue and sell shares of one or more series of a class of our senior securities representing stock under Section 18, as modified by Section 61, of the 1940 Act, ranking on parity with the Series C Term Preferred Stock as to payment of dividends and distribution of assets upon dissolution, liquidation or the winding up of our affairs, in addition to then outstanding shares of Series C Term Preferred Stock, including additional series of Preferred Stock, and authorize, issue and sell additional shares of any such series of Preferred Stock then outstanding or so established and created, in each case in accordance with applicable law, provided that we will, immediately after giving effect to the issuance of such additional Preferred Stock and to our receipt and application of the proceeds thereof, including to the redemption of Preferred Stock with such proceeds, have Asset Coverage of at least 200%.

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.

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Modification

The Board of Directors, without the vote of the holders of Series C 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 C Term Preferred Stock are outstanding, we will provide holders of Series C Term Preferred Stock, without cost, copies of annual reports and quarterly reports substantially similar to the reports on Form 10-K and Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject to such provisions or, alternatively, we will voluntarily file reports on Form 10-K and Form 10-Q as if we were subject to Section 13 or 15(d) of the Exchange Act.

Table of Contents**UNDERWRITING**

Janney Montgomery Scott LLC, J.J.B. Hilliard, W.L. Lyons, LLC, Wunderlich Securities, Inc., William Blair & Company, L.L.C., Ladenburg Thalmann & Co. Inc. and Maxim Group LLC are the underwriters of this offering. Subject to the terms and conditions of the underwriting agreement dated May 6, 2015, the underwriters have agreed to purchase severally, and we have agreed to sell to the underwriters, the number of Series C 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	630,000
J.J.B. Hilliard, W.L. Lyons, LLC	252,000
Wunderlich Securities, Inc.	252,000
William Blair & Company, L.L.C.	70,000
Ladenburg Thalmann & Co. Inc.	126,000
Maxim Group LLC	70,000
 Total	 1,400,000

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 C 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 C Term Preferred Stock set forth opposite its name in the table above if it purchases any of the Series C Term Preferred Stock.

The underwriters propose to offer some of the Series C 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 \$0.50 per share. After the public offering of the Series C 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 210,000 additional shares of Series C 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 C 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 C 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	\$ 35,000,000	\$ 40,250,000
Underwriting discounts and commissions paid by us	\$ 0.875	\$ 0.875	\$ 1,225,000	\$ 1,408,750
Proceeds to us, before expenses	\$ 24.125	\$ 24.125	\$ 33,775,000	\$ 38,841,250

We estimate that expenses payable by us in connection with this offering, other than underwriting discounts and commissions referred to above, will be approximately \$235,000. Of this amount, \$10,000 represents expenses for which we will reimburse the underwriters for reasonable and accountable out-of-pocket expenses, including reasonable fees for their counsel.

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 C 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 C 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 overallocation 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 C 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 overallocation option.

The underwriters may also sell Series C Term Preferred Stock in excess of the overallocation 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 C 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 C 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 C 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 C 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 C 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 C Term Preferred 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. 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 C 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.

Notwithstanding the foregoing, if (1) during the last 17 days of the 60-day lock-up period, we issue an earnings release or material news or material event relating to us occurs; or (2) prior to the expiration of the 60-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 60-day lock-up period, and, in the case of either clause (1) or (2) immediately above, the safe harbor pursuant to Rule 139 under the Securities Act is not available to the underwriters, then the restrictions set forth above will continue to apply until the expiration of an 18-day period beginning on the date of issuance of such earnings release or the occurrence of the material news or material event.

In addition, the terms of the lock-up agreement do not prevent a stockholder party to such agreement from (a) transferring shares of the Series C Term 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 Series C Term 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 the Series C Term 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 C Term Preferred Stock on the NASDAQ, under the symbol GAINN. Trading on the Series C Term Preferred Stock is expected to begin within 30 days after the date of 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, and our Series B Term Preferred Stock is traded on NASDAQ under symbol GAINO.

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 C 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.

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Alternative Settlement Cycle

We expect that delivery of the shares of Series C Term Preferred Stock will be made against payment therefor on or about May 12, 2015, which will be the fourth business day following the date of the pricing of the Series C Term Preferred Stock (such settlement being herein referred to as T+4). Under Rule 15c6-1 promulgated under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Series C Term Preferred Stock prior to the date of delivery hereunder will be required, by virtue of the fact that the Series C Term Preferred Stock initially will settle in T+4 business days, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement.

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 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 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 Ladenburg Thalmann & Co. Inc. is 570 Lexington Avenue, 12th Floor, New York, NY 10022. 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 discussion serves as a supplement to the discussion in the accompanying prospectus under the heading "Material U.S. Federal Income Tax Considerations - Taxation of Our U.S. Stockholders."

Redemption of our Series C Term Preferred Stock. Gain or loss, if any, recognized by a U.S. stockholder in connection with our redemption of Series C Term Preferred Stock generally will be taxed as gain or loss from a sale or exchange of Series C Term Preferred Stock if the redemption (a) is not essentially equivalent to a dividend with respect to the U.S. stockholder, (b) results in a complete termination of U.S. stockholder's ownership of our stock, (c) is substantially disproportionate with respect to the U.S. stockholder, or (d) with respect to non-corporate U.S. stockholder, is in partial liquidation of us, in each case, within the meaning of the federal income tax laws.

In determining whether any of these alternative tests has been met, stock considered to be owned by the U.S. stockholder by reason of certain constructive ownership rules in the federal income tax laws, as well as stock actually owned by the U.S. stockholder, generally must be taken into account. To the extent that our stock is widely held and publicly traded at any time that we repurchase Series C Term Preferred Stock, we expect that such repurchase generally will be treated as a sale or exchange for federal income tax purposes if it results in a proportionate reduction of the U.S. stockholder's right to vote, to participate in current earnings and accumulated surplus or to share in our net assets on liquidation. Because the determination as to whether any of the alternative tests described above will be satisfied with respect to the U.S. stockholder depends upon the facts and circumstances at the time that the determination must be made, however, U.S. stockholders are advised to consult their tax advisors to determine their own tax treatment in the event of a redemption of Series C Term Preferred Stock.

Even if a redemption of our Series C Term Preferred Stock is treated as a sale or exchange, a portion of the amount received by a U.S. 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 C Term Preferred Stock from a U.S. 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 taxable as a dividend to the extent of our current and accumulated earnings and profits attributable to such Series C Term Preferred Stock at ordinary income rates. See "Material U.S. Federal Income Tax Considerations - Distributions" in the accompanying prospectus.

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**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.

MISCELLANEOUS

To the extent that a holder of Series C 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 C Term Preferred Stock, more than 10% of our outstanding Series C 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 may have to disgorge any profits made on purchases and sales, or sales and purchases, of our equity securities (including the Series C 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.

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EXPERTS

The financial statements as of March 31, 2014 and March 31, 2013 and for each of the three years in the period ended March 31, 2014 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, 2014 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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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	December 31, 2014	March 31, 2014
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$165,597 and \$233,895, respectively)	\$ 165,518	\$ 205,440
Affiliate investments (Cost of \$260,936 and \$120,010, respectively)	209,307	87,849
Control investments (Cost of \$30,832 and \$29,632 respectively)	19,320	21,104
Total investments at fair value (Cost of \$457,365 and \$383,537, respectively)	394,145	314,393
Cash and cash equivalents	4,909	4,553
Restricted cash and cash equivalents	3,105	5,314
Interest receivable	1,690	1,289
Due from custodian	2,410	1,704
Deferred financing costs	4,931	2,355
Other assets	846	1,086
TOTAL ASSETS	\$ 412,036	\$ 330,694
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$95,800 and \$61,250, respectively)	\$ 95,800	\$ 61,701
Secured borrowing	5,096	5,000
Total borrowings	100,896	66,701
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25.00 liquidation preference per share; 3,610,000 and 1,610,000 shares authorized, respectively; 3,256,000 and 1,600,000 shares issued and outstanding, respectively	81,400	40,000
Accounts payable and accrued expenses	800	665
Fees due to Adviser ^(A)	1,588	1,225
Fee due to Administrator ^(A)	226	224
Other liabilities	854	1,042
TOTAL LIABILITIES	\$ 185,764	\$ 109,857
Commitments and contingencies ^(B)		
NET ASSETS	\$ 26	\$ 26

Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 26,475,958 shares issued and outstanding		
Capital in excess of par value	286,726	287,062
Cumulative net unrealized depreciation of investments	(63,220)	(69,144)
Cumulative net unrealized appreciation of other	(74)	(525)
Net investment income in excess of distributions	3,233	3,616
Accumulated net realized loss	(419)	(198)
TOTAL NET ASSETS	\$ 226,272	\$ 220,837
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 8.55	\$ 8.34

(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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 3,969	\$ 5,826	\$ 13,720	\$ 15,719
Affiliate investments	5,154	160	11,310	1,091
Control investments	608	1,606	1,673	5,669
Cash and cash equivalents	1	1	3	2
Total interest income	9,732	7,593	26,706	22,481
Other income				
Non-Control/Non-Affiliate investments	1,330	304	3,230	878
Affiliate investments	500	799	534	799
Control investments				3,295
Total other income	1,830	1,103	3,764	4,972
Total investment income	11,562	8,696	30,470	27,453
EXPENSES				
Base management fee ^(A)	1,927	1,515	5,337	4,625
Loan servicing fee ^(A)	1,295	1,089	3,588	3,230
Incentive fee ^(A)	1,460	1,100	3,726	2,822
Administration fee ^(A)	226	239	670	638
Interest expense on borrowings	1,042	395	2,500	1,469
Dividends on mandatorily redeemable preferred stock	1,085	713	2,510	2,138
Amortization of deferred financing fees	404	262	940	761
Professional fees	63	329	610	609
Other general and administrative expenses	383	523	1,130	1,355
Expenses before credits from Adviser	7,885	6,165	21,011	17,647
Credit to base management fee loan servicing fee ^(A)	(1,295)	(1,089)	(3,588)	(3,230)
Credit to fees from Adviser other ^(A)	(867)	(782)	(1,855)	(1,627)
Total expenses, net of credits	5,723	4,294	15,568	12,790

NET INVESTMENT INCOME	5,839	4,402	14,902	14,663
REALIZED AND UNREALIZED (LOSS) GAIN				
Net realized (loss) gain:				
Non-Control/Non-Affiliate investments		(11,361)		(11,361)
Affiliate investments		(1,754)		(1,754)
Control investments	(209)		(221)	24,804
Other		(29)		(29)
Total net realized (loss) gain	(209)	(13,144)	(221)	11,660
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	3,731	(2,548)	13,630	(10,926)
Affiliate investments	(1,772)	4,651	(4,713)	1,629
Control investments		(4,413)	(2,993)	(20,103)
Other		366	451	811
Total net unrealized appreciation (depreciation)	1,959	(1,944)	6,375	(28,589)
Net realized and unrealized gain (loss)	1,750	(15,088)	6,154	(16,929)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS				
	\$ 7,589	\$ (10,686)	\$ 21,056	\$ (2,266)
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	\$ 0.22	\$ 0.17	\$ 0.56	\$ 0.55
Net increase (decrease) in net assets resulting from operations	\$ 0.29	\$ (0.40)	\$ 0.80	\$ (0.09)
Distributions declared and paid	\$ 0.23	\$ 0.23	\$ 0.59	\$ 0.53
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	26,475,958	26,475,958	26,475,958	26,475,958
Refer to Note 4 <i>Related Party Transactions</i> for additional information.				

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended December 31,	
	2014	2013
OPERATIONS		
Net investment income	\$ 14,902	\$ 14,663
Net realized (loss) gain on investments	(221)	11,689
Net realized loss on other		(29)
Net unrealized appreciation (depreciation) of investments	5,924	(29,400)
Net unrealized depreciation of other	451	811
Net increase (decrease) in net assets from operations	21,056	(2,266)
DISTRIBUTIONS TO COMMON STOCKHOLDERS	(15,621)	(14,032)
TOTAL INCREASE (DECREASE) IN NET ASSETS	5,435	(16,298)
NET ASSETS, BEGINNING OF PERIOD	220,837	240,963
NET ASSETS, END OF PERIOD	\$ 226,272	\$ 224,665

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase (decrease) in net assets resulting from operations	\$ 21,056	\$ (2,266)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Purchase of investments	(79,329)	(100,134)
Principal repayments of investments	5,579	46,634
Increase in investment balance due to paid in kind interest	(78)	(58)
Net proceeds from the sale of investments	(221)	31,602
Net realized loss (gain) on investments	221	(11,689)
Net realized loss on other		29
Net unrealized (appreciation) depreciation of investments	(5,924)	29,400
Net unrealized appreciation of other	(451)	(811)
Amortization of deferred financing costs	940	761
Decrease (increase) in restricted cash	2,209	(4,750)
Increase in interest receivable	(401)	(11)
(Increase) decrease in due from custodian	(706)	330
Decrease in other assets	240	340
Increase (decrease) in accounts payable and accrued expenses	64	(160)
Increase (decrease) in fees due to Adviser ^(A)	363	(1,044)
Increase in administration fee due to Administrator ^(A)	2	18
(Decrease) increase in other liabilities	(188)	461
Net cash used in operating activities	(56,624)	(11,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans		56,515
Repayments on short-term loans		(106,030)
Proceeds from line of credit	90,550	108,500
Repayments on line of credit	(56,000)	(103,300)
Proceeds from secured borrowing	96	
Purchase of derivative		(75)
Proceeds from issuance of preferred stock	41,400	
Deferred financing costs	(3,445)	(1,100)
Distributions paid to common stockholders	(15,621)	(14,032)
Net cash provided by (used in) financing activities	56,980	(59,522)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356	(70,870)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,553	85,904
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,909	\$ 15,034

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

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2014

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company ^(A)	Industry	Investment ^(B)	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS ^(N) :					
Auto Safety House, LLC	Automobile	Line of Credit, \$1,000 available (7.0%, Due 10/2019) ^{(I)(K)} Senior Term Debt (7.0%, Due 10/2019) ^{(I)(K)}	\$ 5,000	\$ 5,000	\$ 4,863
				5,000	4,863
Cavert II Holding Corp.	Containers, Packaging, and Glass	Preferred Stock (18,446 shares) ^{(C)(F)(L)}		1,845	3,203
				1,845	3,203
Country Club Enterprises, LLC	Automobile	Senior Subordinated Term Debt (18.6%, Due 5/2017) ^(L) Preferred Stock (7,079,792 shares) ^{(C)(F)(L)} Guaranty (\$2,000) ^(D) Guaranty (\$670) ^(D)	4,000	4,000 7,725	4,000 2,104
				11,725	6,104
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	Senior Term Debt (13.5%, Due 8/2017) ^(L) Preferred Stock (34,045 shares) ^{(C)(F)(L)} Common Stock (5,372 shares) ^{(C)(F)(L)}	10,913	10,913 3,375 63	10,913 3,245 14,158
			12,500	12,500	12,500

	Containers, Packaging, and Glass	Senior Term Debt (12.0%, Due 12/2017) ^(L) Preferred Stock (1,373 shares) ^{(C)(F)(L)} Common Stock (152 shares) ^{(C)(F)(L)}		1,373 152	1,613 850
				14,025	14,963
Funko, LLC ^(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Senior Subordinated Term Debt (9.5%, Due 5/2019) ^{(I)(J)} Senior Subordinated Term Debt (9.5%, Due 5/2019) ^{(I)(J)} Preferred Stock (1,305 shares) ^{(C)(F)(L)}	7,500 2,000	7,500 2,000 1,305	7,500 2,000 9,511
				10,805	19,011

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)
DECEMBER 31, 2014
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company^(A)	Industry	Investment^(B)	Principal	Cost	Fair Value
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Senior Subordinate Term Debt (13.5%, Due 1/2018) ^{(H)(L)}	13,300	13,300	13,300
		Preferred Stock (18,898 shares) ^{(C)(F)(L)}		9,583	