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RURBAN FINANCIAL CORP
Form 8-K
November 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 14, 2005
(November 10, 2005)

RURBAN FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Ohio	0-13507	34-1395608
-----	-----	-----
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

401 Clinton Street, Defiance, Ohio 43512

(Address of principal executive offices) (Zip Code)

(419) 783-8950

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

On November 10, 2005, Rurban Financial Corp. (the "Company") issued a news release announcing that James E. Adams, Chief Financial Officer of the Company, will resign effective November 30, 2005. A copy of this news release is furnished as Exhibit 99 and is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure

On November 10, 2005, the Company issued a news release announcing that James E. Adams, Chief Financial Officer of the Company, will resign effective November 30, 2005. A copy of this news release is furnished as Exhibit 99 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

- (a) Financial statements of business acquired - Not Applicable
- (b) Pro forma financial information - Not Applicable
- (c) Exhibits

Exhibit No. -----	Description -----
99	News Release issued by Rurban Financial Corp. on November 10, 2005

[Remainder of page intentionally left blank; signature on following page.]

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RURBAN FINANCIAL CORP.

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Dated: November 14, 2005

By: /s/ Keeta J. Diller

Keeta J. Diller
Vice President and Corporate Secretary

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INDEX TO EXHIBITS

Current Report on Form 8-K
Dated November 14, 2005

Rurban Financial Corp.

Exhibit No. -----	Description -----
99	News Release issued by Rurban Financial Corp. on November 10, 2005

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"bottom"> (73)

Net realized loss on other

(254)

Net unrealized appreciation of investments

6,879 8,737 29,940

Net unrealized depreciation of other

75 450

Net increase in net assets from operations

44,763 24,854 50,214

DISTRIBUTIONS TO STOCKHOLDERS:

Distributions to common stockholders from net investment income

(22,703) (19,515) (20,584)

Distributions to common stockholders from realized gains

(3,188)

Net decrease in net assets from distributions to stockholders

(22,703) (22,703) (20,584)

CAPITAL STOCK TRANSACTIONS:

Issuance of common stock

3,663 24,420

Offering costs for issuance of common stock

(221) (1,458)

Net increase in net assets from capital stock transactions

3,442 22,962

TOTAL INCREASE (DECREASE) IN NET ASSETS

22,060 5,593 52,592

NET ASSETS, BEGINNING OF YEAR

279,022 273,429 220,837

NET ASSETS, END OF YEAR

\$301,082 \$279,022 \$273,429

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended March 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net increase in net assets resulting from operations	\$ 44,763	\$ 24,854	\$ 50,214
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:			
Purchase of investments	(62,446)	(61,896)	(132,902)
Principal repayments of investments	31,886	24,205	11,260
Increase in investment balance due to paid in kind interest			(78)
Net proceeds from the sale of investments	36,939	20,377	
Net realized (gain) loss on investments	(15,196)	4,448	73
Net realized loss on other	239		
Net unrealized appreciation of investments	(6,879)	(8,737)	(29,940)
Net unrealized depreciation of other	(75)		(450)
Amortization of deferred financing costs and discounts	1,875	1,908	1,329
Bad debt expense, net of recoveries	650	267	186
Changes in assets and liabilities:			
Decrease (increase) in restricted cash and cash equivalents	171	(847)	4,981
Increase in interest receivable	(253)	(1,133)	(578)
(Increase) decrease in due from custodian	(600)	2,874	(2,808)
Decrease (increase) in other assets, net	3,065	(2,934)	(479)
(Decrease) increase in accounts payable and accrued expenses	(476)	(217)	606
(Decrease) increase in fees due to Adviser ^(A)	(241)	410	277
(Decrease) increase in fee due to Administrator ^(A)	(15)	49	38
(Decrease) increase in other liabilities	(928)	454	719
Net cash provided by (used in) operating activities	32,479	4,082	(97,552)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock		3,663	24,420
Offering costs for issuance of common stock		(221)	(1,458)
Borrowings from line of credit	83,400	105,000	144,549
Repayments on line of credit	(108,700)	(128,800)	(87,000)
Proceeds from secured borrowings			96
Proceeds from issuance of mandatorily redeemable preferred stock	57,500	40,250	41,400
Redemption of mandatorily redeemable preferred stock	(40,000)		
Deferred financing and offering costs	(3,589)	(1,711)	(3,503)
Distributions paid to common stockholders	(22,703)	(22,703)	(20,584)
Net cash (used in) provided by financing activities	(34,092)	(4,522)	97,920

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,613)	(440)	368
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,481	4,921	4,553
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,868	\$ 4,481	\$ 4,921
CASH PAID FOR INTEREST	\$ 3,018	\$ 3,679	\$ 3,310
NON-CASH ACTIVITIES^(B)	\$ 8,796	\$ 13,944	\$

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

(B) 2017: Significant non-cash operating activities consisted principally of the following transaction:

In October 2016, we restructured our investment in D.P.M.S., Inc. (*Danco*), which resulted in the exchange of our existing debt investments with a total cost basis and fair value of \$16.5 million and \$6.4 million, respectively, for a new \$8.8 million secured first lien term loan. We also relinquished our preferred equity investment and a portion of our common equity investment, which had an aggregate cost basis and fair value of \$2.5 million and \$0 million, respectively. The transaction resulted in a net realized loss of \$10.2 million, which was recorded in our *Consolidated Statements of Operations* during the year ended March 31, 2017.

2016: Significant non-cash operating activities consisted principally of the following transaction:

In August 2015, NDLI, Inc. (*NDLI*) was acquired by Diligent Delivery Systems (*Diligent*). As part of this acquisition, we restructured our investment in NDLI, which resulted in the termination of our debt investments in NDLI, which had a cost basis and fair value of \$17.7 million and \$14.2 million, respectively. We received cash proceeds of \$1.9 million and a \$13.0 million secured second lien debt investment in Diligent, which resulted in a net realized loss of \$2.8 million. We recognized this net realized loss in our *Consolidated Statements of Operations* during the fiscal year ended March 31, 2016.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
MARCH 31, 2017
(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N):					
AquaVenture Holdings Limited	Utilities	Common Stock (201,586 shares) ^{(C)(S)}	\$	\$ 3,397	\$ 3,433
				3,397	3,433
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$500 available (7.3% (0.8% Unused Fee), Due 12/2018) ^(L)	4,150	4,150	4,150
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	6,443	6,443	205
		Secured First Lien Term Debt (1.5%, Due 12/2019) ^(L)	840	840	
		Preferred Stock (2,500 shares) ^{(C)(L)}		2,516	
		Common Stock (2,500 shares) ^{(C)(L)}		300	
				14,249	4,355
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$500 available (12.8% (1.0% Unused Fee), Due 3/2018) ^(L)			
		Secured First Lien Term Debt (12.8%, Due 3/2020) ^(L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020) ^(L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares) ^{(C)(L)}		6,995	6,117

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				30,495	29,617
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017) ^(L) Preferred Stock (7,245,681 shares) ^{(C)(L)} Guaranty (\$2,000) ^(D)	4,000	4,000	4,000
				7,725	5,256
				11,725	9,256
Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020) ^(K) Common Stock Warrants (8% ownership) ^{(C)(L)}	13,000	13,000	13,292
				500	2,598
				13,500	15,890
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017) ^(L) Preferred Stock (34,045 shares) ^{(C)(L)} Common Stock (5,372 shares) ^{(C)(L)}	9,913	9,913	9,913
				3,375	3,878
				63	11,451
				13,351	25,242
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2019) ^(L) Preferred Stock (1,373 shares) ^{(C)(L)} Common Stock (152 shares) ^{(C)(L)}	9,500	9,500	9,500
				1,373	1,401
				152	7,364
				11,025	18,265
Funko Acquisition Holdings, LLC ^(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) ^{(C)(L)} Common Stock (975 units) ^{(C)(L)}		167	257
				167	257
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2021) ^{(H)(L)} Preferred Stock (19,280 shares) ^{(C)(L)} Common Stock (63,747 shares) ^{(C)(L)}	13,300	13,300	13,300
				9,583	7,176
				8	
				22,891	20,476
Jackrabbit, Inc.	Farming and Agriculture		11,000	11,000	11,000

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

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020) ^(L)	\$ 13,290	\$ 13,290	\$ 13,290
		Preferred Stock (5,660 units) ^{(C)(L)}		5,660	12,471
				18,950	25,761
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (14.0%, Due 8/2019) ^(L)	11,355	11,355	10,561
		Preferred Stock (19,935 shares) ^{(C)(L)}		1,994	
		Common Stock (221,500 shares) ^{(C)(L)}		222	
				13,571	10,561
Schylling, Inc.	Leisure, Amusement, Motion Pictures, and Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018) ^(L)	13,081	13,081	13,081
		Preferred Stock (4,000 shares) ^{(C)(L)}		4,000	262
				17,081	13,343
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018) ^{(E)(K)}	5,000	5,000	4,675
		Preferred Stock (1,499 shares) ^{(C)(L)}		1,499	
		Common Stock (600 shares) ^{(C)(L)}		1	
				6,500	4,675
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, \$634 available (12.5%, Due	3,216	3,216	2,017

2/2018) ^{(G)(L)}	
Preferred Stock	3,768
(12,998,639 shares) ^{(C)(L)}	
Common Stock	753
(10,089,048 shares) ^{(C)(L)}	

7,737	2,017
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Total Non-Control/Non-Affiliate Investments (represents 44.5% of total investments at fair value)

\$ 225,046	\$ 223,451
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AFFILIATE INVESTMENTS^(O):

Alloy Die Casting Co. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	\$ 12,215	\$ 12,215	\$ 9,772
		Secured First Lien Term Debt (13.5%, Due 10/2018) ^{(G)(K)}	175	175	140
		Secured First Lien Term Debt (Due 10/2018) ^{(K)(R)}	910	910	732
		Preferred Stock (4,904 shares) ^{(C)(L)}		4,904	
		Common Stock (630 shares) ^{(C)(L)}		41	
				18,245	10,644
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020) ^(L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares) ^{(C)(L)}		4,943	11,329
				16,250	22,636
B+T Group Acquisition Inc. ^(M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019) ^(L)	14,000	14,000	14,000
		Preferred Stock (12,841 shares) ^{(C)(L)}		4,196	
				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured Second Lien Term Debt (13.0%, Due 8/2021) ^(L)	16,000	16,000	16,000
		Preferred Stock (4,500 shares) ^{(C)(L)}		4,500	11,046
				20,500	27,046
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,279 shares) ^{(C)(L)}		1,841	

Common Stock
(2,319,184 shares)^{(C)(L)}

1,841

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (10.0%, Due 10/2021) ^{(I)(L)} Common Stock (627 shares) ^{(C)(L)}	\$ 8,796	\$ 8,796	\$ 7,175
				1	
				8,797	7,175
Edge Adhesives Holdings, Inc. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(K) Secured First Lien Term Debt (13.8%, Due 2/2019) ^(K) Preferred Stock (3,774 units) ^{(C)(L)}	9,300 2,400	9,300 2,400	9,207 2,388
				3,774	1,271
				15,474	12,866
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020) ^(L) Preferred Stock (5,150 units) ^{(C)(L)}	15,000	15,000	15,000
				5,150	5,754
				20,150	20,754
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(L) Preferred Stock (4,000 shares) ^{(C)(L)}	9,050	9,050	9,050
				4,000	5,752
				13,050	14,802
JR Hobbs, Co. LLC	Atlanta, Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$1,050 available (10.0% (1.0% Unused Fee), Due	2,950	2,950	2,950

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		2/2018) ^(T) Secured First Lien Term Debt (13.0%, Due 2/2022) ^(T) Preferred Stock (5,920 shares) ^{(C)(T)}	21,000	21,000	21,000
				29,870	29,870
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020) ^(L) Preferred Stock (1,550 shares) ^{(C)(L)}	9,200	9,200	9,200
				1,550	11,170
				10,750	20,370
Meridian Rack & Pinion, Inc. ^(M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018) ^(K) Preferred Stock (3,381 shares) ^{(C)(L)}	9,660	9,660	8,646
				3,381	2,890
				13,041	11,536
The Mountain Corporation	Personal and Non-Durable Consumer Products (Manufacturing Only)	Secured Second Lien Term Debt (13.5%, Due 8/2021) ^(L) Preferred Stock (6,899 shares) ^{(C)(L)} Common Stock (751 shares) ^{(C)(L)}	18,600	18,600	18,600
				6,899	153
				1	
				25,500	18,753
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares) ^{(C)(L)} Common Stock (545 shares) ^{(C)(L)}		3,600	
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019) ^(L) Preferred Stock (6,180 shares) ^{(C)(L)}	15,770	15,770	15,770
				6,180	7,135
				21,950	22,905
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020) ^(L) Preferred Stock (37,391 shares) ^{(C)(L)} Common Stock (90,909 shares) ^{(C)(L)}	9,618	9,618	9,618
				3,739	
				91	

				13,448	9,618
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, and Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017) ^(L)	6,200	6,200	6,200
		Secured First Lien Term Debt (14.8%, Due 10/2017) ^(L)	12,200	12,200	12,200
		Preferred Stock (9,749 shares) ^{(C)(L)}		9,749	711
				28,149	19,111
Total Affiliate Investments (represents 52.3% of total investments at fair value)				\$ 278,811	\$ 262,086

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2017

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
CONTROL INVESTMENTS^(P):					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, \$200 available (6.5% (1.0% Unused Fee), Due 8/2019) ^(L)	\$ 4,800	\$ 4,800	\$ 4,800
		Secured Second Lien Term Debt (10.0%, Due 8/2019) ^(L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares) ^{(C)(L)}		11,464	6,242
		Common Stock (88,843 shares) ^{(C)(L)}		48	
				21,312	16,042
Total Control Investments (represents 3.2% of total investments at fair value)				\$ 21,312	\$ 16,042
TOTAL INVESTMENTS^(U)				\$ 525,169	\$ 501,579

(A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$448.0 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act), we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of March 31, 2017, our investment in AquaVenture Holdings Limited is considered a non-qualifying asset under Section 55 of the 1940 Act and represents 0.7% of total investments, at fair value.

(B) Percentages represent the weighted average cash interest rates in effect at March 31, 2017, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.

(C) Security is non-income producing.

(D) Refer to Note 11 *Commitments and Contingencies* for additional information regarding this guaranty.

(E)

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

- (F) Where applicable, aggregates all shares of a class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of a class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as Secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017.
- (I) Debt security has a fixed interest rate.
- (J) Security was sold subsequent to March 31, 2017. Refer to Note 15 *Subsequent Events* for additional information.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Debt security does not have a stated current interest rate.
- (S) Fair value was based on the closing market price of our shares as of the reporting date less a discount for lack of marketability.
- (T) New portfolio investment valued at cost, as it was determined that the price paid during the three months ended March 31, 2017 best represents fair value as of March 31, 2017.
- (U) Cumulative gross unrealized depreciation for federal income tax purposes is \$77.9 million; cumulative gross unrealized appreciation for federal income tax purposes is \$58.3 million. Cumulative net unrealized depreciation is \$19.5 million, based on a tax cost of \$521.1 million.

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^{(B)(F)}	Principal	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS ^(N) :					
Auto Safety House, LLC	Automobile	Secured First Lien Line of Credit, \$1,000 available (8.0%, Due 10/2019) ^{(I)(Q)}	\$	\$	\$
		Secured First Lien Term Debt (8.0%, Due 10/2019) ^{(I)(Q)}	5,000	5,000	5,311
				5,000	5,311
B-Dry, LLC	Personal, Food and Miscellaneous Services	Secured First Lien Line of Credit, \$500 available (6.7% (0.8% Unused Fee), Due 12/2016) ^(L)	3,500	3,500	3,500
		Secured First Lien Term Debt (12.0%, Due 12/2019) ^(L)	6,433	6,443	1,191
		Secured First Lien Term Debt (12.0%, Due 12/2019) ^(L)	840	840	
		Preferred Stock (2,500 shares) ^{(C)(L)}		2,516	
		Common Stock (2,500 shares) ^{(C)(L)}		300	
				13,599	4,691
Country Club Enterprises, LLC	Automobile	Secured Second Lien Term Debt (18.7%, Due 5/2017) ^(L)	4,000	4,000	4,000
		Preferred Stock (7,245,681 shares) ^{(C)(L)}		7,725	5,313
		Guaranty (\$2,000) ^(D)			
		Guaranty (\$279) ^(D)			
				11,725	9,313

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Diligent Delivery Systems	Cargo Transport	Secured Second Lien Term Debt (10.0%, Due 8/2020) ^(K) Common Stock Warrants (6.0% ownership) ^{(C)(L)}	13,000	13,000	12,984 1,500
				13,000	14,484
Drew Foam Companies, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.5%, Due 8/2017) ^(L) Preferred Stock (34,045 shares) ^{(C)(L)} Common Stock (5,372 shares) ^{(C)(L)}	9,913	9,913	9,913 3,583 6,459
				13,351	19,955
Frontier Packaging, Inc.	Containers, Packaging, and Glass	Secured First Lien Term Debt (12.0%, Due 12/2017) ^(L) Preferred Stock (1,373 shares) ^{(C)(L)} Common Stock (152 shares) ^{(C)(L)}	10,500	10,500	10,500 1,386 8,222
				12,025	20,108
Funko Acquisition Holdings, LLC ^(M)	Personal and Non-Durable Consumer Products (Manufacturing Only)	Preferred Stock (260 units) ^{(C)(L)} Common Stock (975 units) ^{(C)(L)}		260	315
				260	315
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured Second Lien Term Debt (13.5%, Due 1/2018) ^{(H)(L)} Preferred Stock (19,280 shares) ^{(C)(L)} Common Stock (63,747 shares) ^{(C)(L)}	13,300	13,300	13,300 4,813 8
				22,891	18,113
Jackrabbit, Inc.	Farming and Agriculture	Secured First Lien Term Debt (13.5%, Due 4/2018) ^(L) Preferred Stock (3,556 shares) ^{(C)(L)} Common Stock (548 shares) ^{(C)(L)}	11,000	11,000	11,000 4,471 934
				14,650	16,405
Mathey Investments, Inc.			1,375	1,375	1,375

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	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (10.0%, Due 3/2018) ^(L)			
		Secured First Lien Term Debt (12.0%, Due 3/2018) ^(L)	3,727	3,727	3,727
		Secured First Lien Term Debt (12.5%, Due 3/2018) ^{(E)(I)(L)}	3,500	3,500	3,500
		Common Stock (29,102 shares) ^{(C)(L)}		777	54
				9,379	8,656
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (13.0%, Due 10/2016) ^{(I)(K)}	13,560	13,560	5,082
		Preferred Stock (27,900 shares) ^{(C)(L)}		2,790	
		Common Stock (27,900 shares) ^{(C)(L)}		28	
				16,378	5,082
Nth Degree, Inc.	Diversified/Conglomerate Service	Secured First Lien Term Debt (12.5%, Due 12/2020) ^(L)	13,290	13,290	13,290
		Preferred Equity (5,660 units) ^{(C)(L)}		5,660	7,712
				18,950	21,002

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
Quench Holdings Corp.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Common Stock (4,770,391 shares) ^{(C)(L)}	\$	\$ 3,397	\$ 4,359
				3,397	4,359
SBS Industries, LLC	Machinery (Non-agriculture, Non-construction, Non-electronic)	Secured First Lien Term Debt (14.0%, Due 8/2019) ^(L)	11,355	11,355	11,355
		Preferred Stock (19,935 shares) ^{(C)(L)}		1,994	
		Common Stock (221,500 shares) ^{(C)(L)}		222	
				13,571	11,355
Schylling, Inc.	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.0%, Due 8/2018) ^(L)	13,081	13,081	13,081
		Preferred Stock (4,000 shares) ^{(C)(L)}		4,000	4,103
				17,081	17,184
Star Seed, Inc.	Farming and Agriculture	Secured First Lien Term Debt (12.5%, Due 5/2018) ^{(E)(K)}	5,000	5,000	4,600
		Preferred Stock (1,499 shares) ^{(C)(L)}		1,499	
		Common Stock (600 shares) ^{(C)(L)}		1	
				6,500	4,600
Total Non-Control/Non-Affiliate Investments (represents 37.1% of total investments at fair value)				\$ 191,757	\$ 180,933

AFFILIATE INVESTMENTS^(O):

Acme Cryogenics, Inc.	Chemicals, Plastics, and Rubber	Secured Second Lien Term Debt (11.5%, Due 3/2020) ^{(I)(Q)}	\$ 14,500	\$ 14,500	\$ 14,500
		Preferred Stock (965,982 shares) ^{(C)(Q)}		7,956	22,337
		Common Stock (549,908 shares) ^{(C)(Q)}		1,197	4,201
		Common Stock Warrants (465,639 shares) ^{(C)(Q)}		25	3,856
				23,678	44,894
Alloy Die Casting Corp. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.5%, Due 10/2018) ^(K)	12,215	12,215	11,390
		Preferred Stock (4,064 shares) ^{(C)(L)}		4,064	612
		Common Stock (630 shares) ^{(C)(L)}		41	
				16,320	12,002
Behrens Manufacturing, LLC ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (13.0%, Due 12/2018) ^(L)	9,975	9,975	9,975
		Preferred Stock (2,923 shares) ^{(C)(L)}		2,922	8,593
				12,897	18,568
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares and Durable Consumer Products	Secured First Lien Term Debt (16.3%, Due 5/2020) ^(L)	11,307	11,307	11,307
		Preferred Stock (4,943 shares) ^{(C)(L)}		4,943	5,267
				16,250	16,574
B+T Group Acquisition, Inc. ^(M)	Telecommunications	Secured First Lien Term Debt (13.0%, Due 12/2019) ^(L)	14,000	14,000	14,000
		Preferred Stock (12,841 shares) ^{(C)(L)}		4,196	
				18,196	14,000
Cambridge Sound Management, Inc.	Home and Office Furnishing, Housewares and Durable Consumer Products	Secured First Lien Term Debt (13.0%, Due 9/2019) ^(L)	15,000	15,000	15,000
		Preferred Stock (4,500 shares) ^{(C)(L)}		4,500	12,835
				19,500	27,835

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Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	Preferred Stock (2,319 shares) ^{(C)(L)} Common Stock (2,319,184 shares) ^{(C)(L)}		2,938	989
				2,938	989
Counsel Press, Inc.	Diversified/Conglomerate Services	Secured First Lien Line of Credit, \$1,000 available (12.8% (1% Unused Fee), Due 3/2017) ^(L)			
		Secured First Lien Term Debt (12.8%, Due 3/2020) ^(L)	18,000	18,000	18,000
		Secured First Lien Term Debt (14.0%, Due 3/2020) ^(L)	5,500	5,500	5,500
		Preferred Stock (6,995 shares) ^{(C)(L)}		6,995	5,399
				30,495	28,899

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company^(A)	Industry	Investment^{(B)(F)}	Principal	Cost	Fair Value
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	Secured First Lien Line of Credit, \$550 available (4.0% (0.5% Unused Fee), Due 8/2017) ^{(I)(L)}	\$ 4,000	\$ 4,000	\$ 4,000
		Secured First Lien Term Debt (4.0%, Due 8/2017) ^{(I)(L)}	2,575	2,575	2,575
		Secured First Lien Term Debt (4.0%, Due 8/2017) ^{(I)(L)}	8,795	8,795	2,073
		Secured First Lien Term Debt (5.2%, Due 8/2017) ^{(E)(L)}	1,150	1,150	
		Preferred Stock (25 shares) ^{(C)(L)}		2,500	
		Common Stock (1,241 shares) ^{(C)(L)}		3	
				19,023	8,648
Edge Adhesives Holdings, Inc. ^(M)	Diversified/Conglomerate Manufacturing	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(K)	9,300	9,300	8,928
		Secured First Lien Term Debt (13.8%, Due 2/2019) ^(K)	2,400	2,400	2,310
		Preferred Stock (3,774 units) ^{(C)(L)}		3,774	
				15,474	11,238
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	Secured First Lien Term Debt (13.3%, Due 7/2020) ^(L)	15,000	15,000	15,000
		Preferred Stock (5,150 units) ^{(C)(L)}		5,150	5,672

				20,150	20,672
Head Country, Inc.	Beverage, Food and Tobacco	Secured First Lien Term Debt (12.5%, Due 2/2019) ^(L)	9,050	9,050	9,050
		Preferred Stock (4,000 shares) ^{(C)(L)}		4,000	
				13,050	9,050
Logo Sportswear, Inc.	Textiles and Leather	Secured First Lien Term Debt (12.5%, Due 3/2020) ^(L)	9,200	9,200	9,200
		Preferred Stock (1,550 shares) ^{(C)(L)}		1,550	2,795
				10,750	11,995
Meridian Rack & Pinion, Inc. ^(M)	Automobile	Secured First Lien Term Debt (13.5%, Due 12/2018) ^(K)	9,660	9,660	8,791
		Preferred Stock (3,381 shares) ^{(C)(L)}		3,381	988
				13,041	9,779
NDLI, Inc.	Cargo Transport	Preferred Stock (3,600 shares) ^{(C)(L)}		3,600	
		Common Stock (545 shares) ^{(C)(L)}			
				3,600	
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	Secured First Lien Term Debt (13.3%, Due 10/2019) ^(L)	15,770	15,770	15,770
		Preferred Stock (6,180 shares) ^{(C)(L)}		6,180	4,159
				21,950	19,929
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	Secured Second Lien Term Debt (14.0%, Due 9/2020) ^(L)	9,618	9,618	9,618
		Preferred Stock (37,391 shares) ^{(C)(L)}		3,739	3,922
		Common Stock (90,909 shares) ^{(C)(L)}		91	
				13,448	13,540
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Pictures, Entertainment	Secured First Lien Term Debt (13.3%, Due 10/2017) ^(L)	6,200	6,200	6,200
		Secured First Lien Term Debt (14.8%, Due 10/2017) ^(L)	12,200	12,200	12,200

		Preferred Stock (9,749 shares) ^{(C)(L)}		9,749	7,747
				28,149	26,147
Tread Corporation	Oil and Gas	Secured First Lien Line of Credit, \$2,424 available (12.5%, Due 2/2018) ^{(G)(L)}	1,426	1,426	1,426
		Preferred Stock (12,998,639 shares) ^{(C)(L)}		3,768	538
		Common Stock (10,089,048 shares) ^{(C)(L)}		753	
				5,947	1,964
Total Affiliate Investments (represents 60.8% of total investments at fair value)				\$ 304,856	\$ 296,723

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

MARCH 31, 2016

(DOLLAR AMOUNTS IN THOUSANDS)

Company ^(A)	Industry	Investment ^{(B)(F)}	Principal	Cost	Fair Value
CONTROL INVESTMENTS ^(P) :					
Galaxy Tool Holding Corporation	Aerospace and Defense	Secured First Lien Line of Credit, \$0 available (6.5% (1.0% Unused Fee), Due 9/2016) ^(L)	\$ 5,000	\$ 5,000	\$ 5,000
		Secured Second Lien Term Debt (10.0%, Due 8/2017) ^(L)	5,000	5,000	5,000
		Preferred Stock (5,517,444 shares) ^{(C)(L)}		11,464	
		Common Stock (88,843 shares) ^{(C)(L)}		48	
				21,512	10,000
Total Control Investments (represents 2.1 % of total investments at fair value)				\$ 21,512	\$ 10,000
TOTAL INVESTMENTS ^(R)				\$ 518,125	\$ 487,656

- (A) Certain of the securities listed are issued by affiliate(s) of the indicated portfolio company. The majority of the securities listed, totaling \$461.4 million at fair value, are pledged as collateral to our revolving line of credit as described further in Note 5 *Borrowings*. Additionally, all of our investments are considered qualifying assets under Section 55 of the Investment Company Act of 1940, as amended, (the 1940 Act) as of March 31, 2016. Under the 1940 Act, we may not acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets.
- (B) Percentages represent the weighted average cash interest rates in effect at March 31, 2016, and due date represents the contractual maturity date. Unless indicated otherwise, all cash interest rates are indexed to 30-day London Interbank Offered Rate. If applicable, paid-in-kind interest rates are noted separately from the cash interest rates.
- (C) Security is non-income producing.
- (D) Refer to Note 11 *Commitments and Contingencies* for additional information regarding these guaranties.
- (E) Last Out Tranche (LOT) of secured first lien debt, meaning if the portfolio company is liquidated, the holder of the LOT generally is paid after the other secured first lien debt but before the secured second lien debt.

- (F) Where applicable, aggregates all shares of such class of stock owned without regard to specific series owned within such class (some series of which may or may not be voting shares) or aggregates all warrants to purchase shares of such class of stock owned without regard to specific series of such class of stock such warrants allow us to purchase.
- (G) Debt security is on non-accrual status.
- (H) \$5.1 million of the debt security was participated to a third party, but is accounted for as collateral for a secured borrowing under accounting principles generally accepted in the U.S. and presented as secured borrowing on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2016.
- (I) Debt security has a fixed interest rate.
- (J) Reserved.
- (K) Fair value was based on internal yield analysis or on estimates of value submitted by Standard & Poor's Securities Evaluations, Inc. Refer to Note 3 *Investments* for additional information.
- (L) Fair value was based on the total enterprise value of the portfolio company, which is generally allocated to the portfolio company's securities in order of their relative priority in the capital structure. Refer to Note 3 *Investments* for additional information.
- (M) One of our affiliated funds, Gladstone Capital Corporation, co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.
- (N) Non-Control/Non-Affiliate investments, as defined by the 1940 Act, are those that are neither Control nor Affiliate investments and in which we own less than 5.0% of the issued and outstanding voting securities.
- (O) Affiliate investments, as defined by the 1940 Act, are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities.
- (P) Control investments, as defined by the 1940 Act, are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.
- (Q) Fair value was based on the expected exit or payoff amount, where such event has occurred or is expected to occur imminently.
- (R) Cumulative gross unrealized depreciation for federal income tax purposes is \$86.2 million; cumulative gross unrealized appreciation for federal income tax purposes is \$60.4 million. Cumulative net unrealized depreciation is \$25.8 million, based on a tax cost of \$513.5 million.

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

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GLADSTONE INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND AS
OTHERWISE
INDICATED)

NOTE 1. ORGANIZATION

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

Gladstone Business Investment, LLC ("Business Investment"), a wholly-owned subsidiary of ours, was established on August 11, 2006 for the sole purpose of owning our portfolio of investments in connection with our line of credit. The financial statements of Business Investment are consolidated with those of Gladstone Investment. We also have significant subsidiaries (as defined under Rule 1-02(w) of the U.S. Securities and Exchange Commission's ("SEC") Regulation S-X) whose financial statements are not consolidated with ours. Refer to Note 14 *Unconsolidated Significant Subsidiaries* for additional information regarding our unconsolidated significant subsidiaries.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These *Consolidated Financial Statements* and the accompanying notes are prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) and conform to Regulation S-X under the Securities Exchange Act of 1934, as amended. Management believes it has made all necessary adjustments so that our accompanying *Consolidated Financial Statements* are presented fairly and that all such adjustments are of a normal recurring nature. Our accompanying *Consolidated Financial Statements* include our accounts and the accounts of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Consolidation

In accordance with Article 6 of Regulation S-X under the Securities Act of 1933, we do not consolidate portfolio company investments. Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide for Investment Companies, codified in ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

Table of Contents*Use of Estimates*

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

Reclassifications

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

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

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

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

	March 31, 2016	
	As Previously Reported	Retrospective Application
Deferred financing costs, net	\$ 4,332	\$ 1,147
Mandatorily redeemable preferred stock, net	121,650	118,465

Classification of Investments

In accordance with the BDC regulations in the 1940 Act, we classify portfolio investments on our accompanying *Consolidated Statements of Assets and Liabilities*, *Consolidated Statements of Operations* and *Consolidated Schedules of Investments* into the following categories:

Non-Control/Non-Affiliate Investments Non-Control/Non-Affiliate investments are those that are neither control nor affiliate investments and in which we typically own less than 5.0% of the issued and outstanding voting securities;

Affiliate Investments Affiliate investments are those that are not Control investments and in which we own, with the power to vote, between and inclusive of 5.0% and 25.0% of the issued and outstanding voting securities; and

Control Investments Control investments are those where we have the power to exercise a controlling influence over the management or policies of the portfolio company, which may include owning, with the power to vote, more than 25.0% of the issued and outstanding voting securities.

Investment Valuation Policy

Accounting Recognition

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

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Board Responsibility

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

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

Use of Third Party Valuation Firms

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

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

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

Valuation Techniques

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

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

TEV is primarily calculated using EBITDA or revenue multiples; however, TEV may also be calculated using a discounted cash flow (DCF) analysis whereby future expected cash flows of the portfolio company are discounted to determine a net present value using estimated risk-adjusted discount rates, which incorporate adjustments for nonperformance and liquidity

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risks. Generally, the Valuation Team uses the DCF to calculate TEV to corroborate estimates of value for our equity investments where we do not have the ability to effectuate a sale of a portfolio company or for debt of credit impaired portfolio companies.

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

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

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

In addition to the valuation techniques listed above, the Valuation Team may also consider other factors when determining the fair value of our investments, including but not limited to: the nature and realizable value of the collateral, including external parties' guaranties; any relevant offers or letters of intent to acquire the portfolio company; timing of expected loan repayments; and the markets in which the portfolio company operates. If applicable, new and follow-on debt and equity investments made during the current reporting quarter are generally valued at our original cost basis.

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

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

Realized Gain or Loss and Unrealized Appreciation or Depreciation of Portfolio Investments

Gains or losses on the sale of investments are calculated by using the specific identification method. A realized gain or loss is recognized at the trade date, typically when an investment is disposed of, and is computed as the difference between the cost basis of the investment on the disposition date and the net proceeds received from such disposition. Unrealized appreciation or depreciation displays the difference between the fair value of the investment and the cost basis of such investment. We determine the fair value of each individual investment each reporting period and record changes in fair value as unrealized appreciation or depreciation in our *Consolidated Statement of Operations*.

Table of Contents*Revenue Recognition***Interest Income Recognition**

Interest income, adjusted for amortization of premiums, amendment fees and acquisition costs and the accretion of discounts, is recorded on the accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 90 days or more past due, or if our qualitative assessment indicates that the debtor is unable to service its debt or other obligations, we will place the loan on non-accrual status and cease recognizing interest income on that loan until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, we remain contractually entitled to this interest. Interest payments received on non-accrual loans may be recognized as income or applied to the cost basis, depending upon management's judgment. Generally, non-accrual loans are restored to accrual status when past-due principal and interest are paid, and, in management's judgment, are likely to remain current, or due to a restructuring, the interest income is deemed to be collectible. As of March 31, 2017, certain of our loans to Alloy Die Cast Co. (ADC) and Tread Corporation (Tread) were on non-accrual status, with an aggregate debt cost basis of \$15.6 million, or 4.1% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$11.9 million, or 3.3% of the fair value of all debt investments in our portfolio. As of March 31, 2016, our loan to Tread was on non-accrual status, with an aggregate debt cost basis of \$1.4 million, or 0.4% of the cost basis of all debt investments in our portfolio, and an aggregate fair value of \$1.4 million, or 0.4% of the fair value of all debt investments in our portfolio.

Paid-in-kind (PIK) interest, computed at the contractual rate specified in the loan agreement, is added to the principal balance of the loan and recorded as interest income. As of March 31, 2017 and 2016, we did not have any loans with a PIK interest component. During the years ended March 31, 2017 and 2016, we did not record any PIK income, nor did we collect any PIK interest in cash. During the year ended March 31, 2015, we recorded PIK income of \$0.1 million and collected PIK interest in cash of \$0.2 million.

Other Income Recognition

We record success fees as income when earned, which often occurs upon receipt of cash. Success fees are generally contractually due upon a change of control in a portfolio company, typically from an exit or sale. We recorded \$2.4 million, \$1.6 million, and \$1.4 million of success fee income during the years ended March 31, 2017, 2016, and 2015, respectively.

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. We recorded \$3.3 million, \$2.9 million, and \$3.5 million of dividend income during the years ended March 31, 2017, 2016, and 2015, respectively.

During the year ended March 31, 2017, we re-characterized \$0.5 million of dividend income from our investment in Behrens Manufacturing, LLC (Behrens), which was originally recorded during our fiscal year ended March 31, 2016, as a return of capital.

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

Cash and Cash Equivalents

We consider all short-term, highly liquid investments that are both readily convertible to cash and have a maturity of three months or less at the time of purchase to be cash equivalents. Cash is carried at cost, which approximates fair value. We place our cash with financial institutions, and at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. We seek to mitigate this concentration of credit risk by depositing funds with major financial institutions.

Restricted Cash and Cash Equivalents

Restricted cash is generally cash held in escrow received as part of an investment exit. Restricted cash is carried at cost, which approximates fair value.

Deferred Financing and Offering Costs

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

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Related Party Fees

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

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

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

Federal Income Taxes

We intend to continue to maintain our qualification as a RIC under subchapter M of the Code for federal income tax purposes. As a RIC, we generally are not subject to federal income tax on the portion of our taxable income and gains distributed to our stockholders. To maintain our qualification as a RIC, we must maintain our status as a BDC and meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must distribute to stockholders at least 90% of our taxable ordinary income plus the excess of our net short-term capital gains over net long-term capital losses (*Investment Company Taxable Income*). Our policy generally is to make distributions to our stockholders in an amount up to 100% of our *Investment Company Taxable Income*. We intend to continue to make sufficient distributions to qualify as a RIC and to generally limit taxable income. Refer to Note 10 *Federal and State Income Taxes* for additional information regarding our RIC requirements.

FASB ASC 740, *Income Taxes* (ASC 740) requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authorities. Tax positions not deemed to satisfy the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current fiscal year. We have evaluated the implications of ASC 740 for all open tax years and in all major tax jurisdictions, and determined that there is no material impact on our accompanying *Consolidated Financial Statements*. Our federal tax returns for fiscal years 2016, 2015, and 2014 remain subject to examination by the Internal Revenue Service (IRS).

Distributions

Distributions to stockholders are recorded on the ex-dividend date. We are required to distribute at least 90% of our *Investment Company Taxable Income* for each taxable year as a distribution to our stockholders in order to maintain our ability to be taxed as a RIC under Subchapter M of the Code. It is our policy to pay out as a distribution up to 100% of those amounts. The amount to be paid is determined by our Board of Directors each quarter and is based on an estimate of annual *Investment Company Taxable Income*. Based on that estimate, a distribution is declared each quarter and is paid out monthly over the course of the respective quarter. At fiscal year-end, we may elect to treat a portion of the first distributions paid after year-end as having been paid in the prior year in accordance with Section 855(a) of the Code. We may retain some or all of our net long-term capital gains, if any, but we generally intend to distribute such gains to stockholders in cash or to designate them as deemed distributions. If we decide to retain long-term capital gains and treat them as deemed distributions, the net long-term capital gain will be subject to federal

income tax.

Refer to Note 9 *Distributions to Common Stockholders* for further information.

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

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Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update 2016-18, *Restricted Cash (a consensus of the Emerging Issues Task Force)* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We are currently assessing the impact of ASU 2016-18 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

In August 2016, the FASB issued Accounting Standards Update 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* (ASU 2016-15), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. We are currently assessing the impact of ASU 2016-15 and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted.

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

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

In May 2015, the FASB issued Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)* (ASU 2015-07), which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. The adoption of ASU 2015-07 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-07 is required to be adopted retrospectively and is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-07 effective April 1, 2016.

In February 2015, the FASB issued Accounting Standards Update 2015-02, *Amendments to the Consolidation Analysis* (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The adoption of ASU 2015-02 did not have a material impact on our financial position, results of operations or cash flows. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015 and interim periods within those years, and we adopted ASU 2015-02 effective April 1, 2016. In October 2016, the FASB issued Accounting Standards Update 2016-17, *Interests Held through Related Parties That Are under Common Control* (ASU 2016-17), which amends the consolidation guidance in ASU 2015-02 regarding the treatment of indirect interests held through related parties that are under common control. We have assessed the impact of ASU 2016-17

and do not anticipate a material impact on our financial position, results of operations or cash flows. ASU 2016-17 is effective for annual reporting periods beginning after December 15, 2016 and interim periods within those years, with early adoption permitted.

In August 2014, the FASB issued Accounting Standards Update 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern* (ASU 2014-15). ASU 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The guidance is primarily around certain disclosures to the financial statements. The adoption of ASU 2014-15 did not have a material impact on our financial position, results of operations or cash flows. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and annual and interim periods thereafter, and we adopted ASU 2014-15 effective March 31, 2017.

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In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which was amended in March 2016 by FASB Accounting Standards Update 2016-08, *Principal versus Agent Considerations* (ASU 2016-08), in April 2016 by FASB Accounting Standards Update 2016-10, *Identifying Performance Obligations and Licensing* (ASU 2016-10), in May 2016 by FASB Accounting Standards Update 2016-12, *Narrow-Scope Improvements and Practical Expedients* (ASU 2016-12), and in December 2016 by FASB Accounting Standards Update 2016-20, *Technical Corrections and Improvements to Topic 606* (ASU 2016-20). ASU 2014-09, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. The new guidance establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. In July 2015, the FASB issued Accounting Standards Update 2015-14, *Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09. ASU 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12, and ASU 2016-20, is now effective for annual reporting periods beginning after December 15, 2017 and interim periods within those years, with early adoption permitted for annual reporting periods beginning after December 15, 2016 and interim periods within those years. We continue to assess the impact of ASU 2014-09, as amended, and expect to identify similar performance obligations as compared to existing guidance. As a result, we do not anticipate a material change in the timing of revenue recognition or a material impact on our financial position, results of operations, or cash flows from adopting this standard.

NOTE 3. INVESTMENTS*Fair Value*

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

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

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

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

When a determination is made to classify our investments within Level 3 of the valuation hierarchy, such determination is based upon the significance of the unobservable factors to the overall fair value measurement.

However, Level 3 financial instruments typically include, in addition to the unobservable, or Level 3, inputs, observable inputs (or, components that are actively quoted and can be validated to external sources). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

As of March 31, 2017, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy, except for our investment in AquaVenture Holdings Limited (AquaVenture, f/k/a Quench Holdings Corp.), which was valued using Level 2 inputs. As of March 31, 2016, all of our investments were valued using Level 3 inputs within the ASC 820 fair value hierarchy.

We transfer investments in and out of Level 1, 2 and 3 securities as of the beginning balance sheet date, based on changes in the use of observable and unobservable inputs utilized to perform the valuation for the period. During the year ended March 31, 2017, we transferred our investment in AquaVenture from Level 3 to Level 2 as a result of its initial public offering in October 2016. During the year ended March 31, 2016, there were no transfers in or out of Level 1, 2 and 3.

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As of March 31, 2017 and 2016, our investments, by security type, at fair value were categorized as follows within the ASC 820 fair value hierarchy:

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value				
As of March 31, 2017:				
Secured first lien debt	\$ 268,150	\$	\$	\$ 268,150
Secured second lien debt	95,040			95,040
Preferred equity	113,515			113,515
Common equity/equivalents	24,874		3,433 ^(A)	21,441
Total Investments at March 31, 2017	\$ 501,579	\$	\$ 3,433	\$ 498,146

^(A) Fair value was determined based on the closing market price of our shares at the reporting date less a discount for lack of marketability as our investment is subject to a 180-day lock-up period, which expired in April 2017.

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value				
As of March 31, 2016:				
Secured first lien debt	\$ 280,037	\$	\$	\$ 280,037
Secured second lien debt	64,484			64,484
Preferred equity	113,550			113,550
Common equity/equivalents	29,585			29,585
Total Investments at March 31, 2016	\$ 487,656	\$	\$	\$ 487,656

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The following table presents our investments valued using Level 3 inputs carried at fair value as of March 31, 2017 and 2016, by caption on our accompanying *Consolidated Statements of Assets and Liabilities*, and by security type:

	Total Recurring Level 3 Fair Value Measurements Reported in <i>Consolidated Statements of Assets and Liabilities</i> March 31,	
	2017	2016
Non-Control/Non-Affiliate Investments		
Secured first lien debt	\$ 108,613	\$ 92,343
Secured second lien debt	45,822	35,366
Preferred equity	44,142	31,696
Common equity/equivalents	21,441 ^(A)	21,528
Total Non-Control/Non-Affiliate Investments	220,018	180,933
Affiliate Investments		
Secured first lien debt	154,737	182,694
Secured second lien debt	44,218	24,118
Preferred equity	63,131	81,854
Common equity/equivalents		8,057
Total Affiliate Investments	262,086	296,723
Control Investments		
Secured first lien debt	4,800	5,000
Secured second lien debt	5,000	5,000
Preferred equity	6,242	
Common equity/equivalents		
Total Control Investments	16,042	10,000
Total investments at fair value using Level 3 inputs	\$ 498,146	\$ 487,656

^(A) Excludes our investment in AquaVenture with a fair value of \$3.4 million, which was valued using Level 2 inputs.

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In accordance with the FASB's ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)* (ASU 2011-04), the following table provides quantitative information about our investments valued using Level 3 fair value measurements as of March 31, 2017 and 2016. The table below is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements. The weighted average calculations in the table below are based on the principal balances for all debt-related calculations and on the cost basis for all equity-related calculations for the particular input.

Quantitative Information about Level 3 Fair Value Measurements								
	Fair Value as of		Valuation Technique/ Methodology	Unobservable Input	Range / Weighted Average as of		Range / Weighted Average as of	
	Fair Value as of March 31, 2017	Fair Value as of March 31, 2016			March 31, 2017		March 31, 2016	
Secured first lien debt	\$ 232,590 ^(A)	\$ 238,707	TEV	EBITDA multiple	4.3x	7.9x / 6.2x	4.4x	8.2x / 6.3x
				EBITDA	\$897 - \$10,887 /		\$970 - \$8,713 / \$3,374	
					\$4,093			
				Discount Rate			20.0% - 20.0% / 20.0%	
Secured second lien debt	\$ 81,747 ^(C)	\$ 46,418 ^(C)	TEV	Discount Rate	13.1% - 30.3% / 19.7%		14.2% - 17.7% / 16.4%	
				EBITDA multiple	5.3x	7.4x / 6.4x	5.5x	6.2x / 5.9x
				EBITDA	\$2,357 - \$5,824 / \$4,588		\$2,718 - \$4,851 / \$3,79	
				Discount Rate	9.2% - 9.2% /		10.1% - 20.0% /	
Preferred equity ^(D)	\$ 113,515	\$ 113,550	TEV		9.2%		15.1%	
				EBITDA multiple	4.8x	7.9x / 6.3x	4.4x	8.2x / 6.4x
				EBITDA	\$897 - \$97,366 / \$4,415		\$0 - \$76,487 / \$3,565	
				Discount Rate			20.0% - 20.0% / 20.0%	
Common equity/ equivalents ^{(E)(F)}	\$ 21,441	\$ 29,585	TEV	Revenue multiple	0.5x	0.5x / 0.5x	0.2x	0.5x / 0.4x
				Revenue	\$21,662 - \$21,662 / \$21,662		\$29,300 - \$56,937 / \$42,761	
				EBITDA multiple	4.3x	9.8x / 6.0x	4.4x	11.0x / 8.7x
				EBITDA	\$897 - \$13,378 / \$3,687		\$0 - \$76,487 / \$820	
				Discount Rate			20.0% - 20.0% / 20.0%	
					0.5x	0.5x / 0.5x	0.2x	0.5x / 0.2x

				Revenue multiple	
				Revenue	\$21,662 - \$21,662 / \$21,662
					\$29,300 - \$56,937 / \$56,937
Total	\$ 498,146	\$ 487,656			

- (A) Fair value as of March 31, 2017 includes two new proprietary debt investments for a combined \$24.0 million, which were valued at cost.
- (B) Fair value as of March 31, 2016 includes one proprietary debt investment for \$5.3 million which was valued at the expected payoff amount.
- (C) Fair value as of March 31, 2017 includes one proprietary debt investment for \$15.2 million, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes one proprietary debt investment for \$14.5 million, which was valued at the expected payoff amount.
- (D) Fair value as of March 31, 2017 includes one new proprietary equity investment for \$5.9 million, which was valued at cost, and one proprietary equity investment for \$3.9 million, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes one proprietary equity investment for \$22.3 million, which was valued at the expected exit amount.
- (E) Fair value as of March 31, 2017 includes one proprietary equity investment for \$28, which was valued at the expected payoff amount. Fair value as of March 31, 2016 includes two proprietary equity investments for a combined \$8.1 million, which were valued at the expected exit amounts.
- (F) Fair value as of March 31, 2017 excludes our investment in AquaVenture with a fair value of \$3.4 million, which was valued using Level 2 inputs.

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

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

The following tables provide the changes in fair value of our portfolio, broken out by security type, during the years ended March 31, 2017 and 2016 for all investments for which the Adviser determines fair value using unobservable (Level 3) inputs.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Year ended March 31, 2017:					
Fair value as of March 31, 2016	\$ 280,037	\$ 64,484	\$ 113,550	\$ 29,585	\$ 487,656
Total gain (loss):					
Net realized gain (loss) ^(A)	(7,725)		3,436	18,903	14,614
Net unrealized appreciation (depreciation) ^(B)	(9,258)	10,456	19,400	3,769	24,367
Reversal of previously recorded depreciation (appreciation) upon realization ^(B)	8,796		(18,525)	(6,834)	(16,563)
New investments, repayments and settlements ^(C) :					
Issuances / originations	37,482	19,600	13,659	501	71,242
Settlements / repayments	(26,182)	(14,500)			(40,682)
Sales			(18,005)	(20,124)	(38,129)
Transfers ^(D)	(15,000)	15,000		(4,359)	(4,359)
Fair value as of March 31, 2017	\$ 268,150	\$ 95,040	\$ 113,515	\$ 21,441	\$ 498,146

	Secured First Lien Debt	Secured Second Lien Debt	Preferred Equity	Common Equity/ Equivalents	Total
Year ended March 31, 2016:					
Fair value as of March 31, 2015	\$ 267,545	\$ 65,974	\$ 111,090	\$ 21,444	\$ 466,053
Total gain (loss):					
Net realized gain (loss) ^(A)	(11,316)	(10,520)	17,039	349	(4,448)
Net unrealized appreciation (depreciation) ^(B)	5,123	(5,932)	6,012	8,099	13,302
Reversal of previously recorded depreciation (appreciation) upon realization ^(B)	9,572	3,462	(17,492)	(107)	(4,565)
New investments, repayments and settlements ^(C) :					
Issuances / originations	45,502	13,000	17,089	249	75,840
Settlements / repayments	(36,389)	(1,500)			(37,889)
Sales			(20,188)	(449)	(20,637)
Transfers					

Fair value as of March 31, 2016	\$ 280,037	\$ 64,484	\$ 113,550	\$ 29,585	\$ 487,656
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- (A) Included in net realized gain (loss) on investments on our accompanying *Consolidated Statements of Operations* for the years ended March 31, 2017 and 2016.
- (B) Included in net unrealized appreciation (depreciation) of investments on our accompanying *Consolidated Statements of Operations* for the years ended March 31, 2017 and 2016.
- (C) Includes increases in the cost basis of investments resulting from new portfolio investments, the amortization of discounts, PIK and other non-cash disbursements to portfolio companies, as well as decreases in the cost basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs, and other cost-basis adjustments.
- (D) Transfers represent \$15.0 million of secured first lien debt of Cambridge Sound Management, Inc. (Cambridge), which was converted into secured second lien debt, and \$4.4 million of common equity of AquaVenture, which was transferred from Level 3 to Level 2 as a result of its initial public offering.

Investment Activity

During the year ended March 31, 2017, the following significant transactions occurred:

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

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

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In October 2016, we restructured our investment in D.P.M.S., Inc (Danco). As a result of the restructure, we exchanged existing debt with a cost basis of \$16.5 million for a new \$8.8 million secured first lien term loan, relinquished our preferred equity with a cost basis of \$2.5 million, and relinquished a portion of our common equity with a total cost basis of \$3. The transaction resulted in a realized loss of \$10.2 million.

In December 2016, we sold our investment in Behrens Manufacturing, LLC (Behrens), which resulted in success fee income of \$0.9 million and a net realized gain of \$5.8 million. In connection with the sale, we received net cash proceeds of \$19.2 million, including the repayment of our debt investment of \$10.0 million at par.

In February 2017, our \$5.0 million investment in Auto Safety House, LLC was repaid at par plus \$0.5 million of success fee income.

In February 2017, we invested \$28.9 million in JR Hobbs Co. Atlanta, LLC (JR Hobbs) through a combination of secured first lien debt and preferred equity. JR Hobbs, headquartered in Lawrenceville, Georgia, is an HVAC installation subcontractor focused on the multifamily and light commercial construction market in the Southeast U.S.

Investment Concentrations

As of March 31, 2017, our investment portfolio consisted of investments in 35 portfolio companies located in 17 states across 18 different industries with an aggregate fair value of \$501.6 million. Our investments in JR Hobbs, Counsel Press, Inc., Cambridge, Nth Degree, Inc., and Drew Foam Companies, Inc. represent our five largest portfolio investments at fair value, and collectively comprised \$137.5 million, or 27.4%, of our total investment portfolio at fair value.

The following table summarizes our investments by security type as of March 31, 2017 and 2016:

	March 31, 2017				March 31, 2016			
	Cost		Fair Value		Cost		Fair Value	
Secured first lien debt	\$ 284,823	54.3%	\$ 268,150	53.5%	\$ 296,247	57.2%	\$ 280,037	57.4%
Secured second lien debt	93,078	17.7	95,040	18.9	72,978	14.1	64,484	13.2
Total debt	377,901	72.0	363,190	72.4	369,225	71.3	344,521	70.6
Preferred equity	140,791	26.8	113,515	22.6	141,702	27.3	113,550	23.3
Common equity/equivalents	6,477	1.2	24,874	5.0	7,198	1.4	29,585	6.1
Total equity/equivalents	147,268	28.0	138,389	27.6	148,900	28.7	143,135	29.4
Total investments	\$ 525,169	100.0%	\$ 501,579	100.0%	\$ 518,125	100.0%	\$ 487,656	100.0%

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Investments at fair value consisted of the following industry classifications as of March 31, 2017 and 2016:

	March 31, 2017		March 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Home and Office Furnishings, Housewares, and Durable Consumer Products	\$ 93,062	18.6%	\$ 86,811	17.8%
Diversified/Conglomerate Service	85,248	17.0	49,901	10.2
Chemicals, Plastics, and Rubber	65,156	13.0	90,602	18.6
Diversified/Conglomerate Manufacturing	40,303	8.0	64,986	13.3
Leisure, Amusement, Motion Pictures, Entertainment	32,453	6.5	43,330	8.9
Automobile	20,792	4.1	24,402	5.0
Textiles and Leather	20,369	4.1	11,995	2.5
Farming and Agriculture	19,096	3.8	21,005	4.3
Personal and Non-Durable Consumer Products (Manufacturing Only)	19,011	3.8	315	0.1
Containers, Packaging, and Glass	18,266	3.6	20,108	4.1
Machinery (Non-agriculture, Non-construction, Non-electronic)	17,283	3.4	20,011	4.1
Aerospace and Defense	16,042	3.2	10,000	2.1
Cargo Transport	15,891	3.2	14,484	3.0
Beverage, Food, and Tobacco	14,802	3.0	9,050	1.8
Telecommunications	14,000	2.8	14,000	2.9
Other < 2.0%	9,805	1.9	6,656	1.3
Total investments	\$ 501,579	100.0%	\$ 487,656	100.0%

Investments at fair value were included in the following geographic regions of the U.S. as of March 31, 2017 and 2016:

	March 31, 2017		March 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
South	\$ 175,136	34.9%	\$ 129,934	26.6%
Northeast	159,614	31.8	183,265	37.6
West	123,475	24.6	124,713	25.6
Midwest	43,354	8.7	49,744	10.2
Total investments	\$ 501,579	100.0%	\$ 487,656	100.0%

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

Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of our investment portfolio for the next five fiscal years and thereafter, assuming no voluntary prepayments, as of March 31, 2017:

		Amount^(A)
For the fiscal years ending March 31:	2018	\$ 60,640
	2019	76,941
	2020	100,408
	2021	75,515
	2022	64,397
	Thereafter	
	Total contractual repayments	\$ 377,901
	Investments in equity securities	147,268
	Total cost basis of investments held as of	
	March 31, 2017:	\$ 525,169

- ^(A) Subsequent to March 31, 2017, one debt investment with a principal balance of \$13.6 million maturing during the fiscal year ending March 31, 2018 was repaid at par and debt investments in two portfolio companies with principal balances of \$4.0 million and \$18.4 million, which previously had maturity dates during the fiscal year ending March 31, 2018, were extended to mature during the fiscal year ending March 31, 2019 and March 31, 2021, respectively.

Table of Contents*Receivables from Portfolio Companies*

Receivables from portfolio companies represent non-recurring costs that we incurred on behalf of portfolio companies. Such receivables, net of any allowance for uncollectible receivables, are included in Other assets, net on our accompanying *Consolidated Statements of Assets and Liabilities*. We generally maintain an allowance for uncollectible receivables from portfolio companies when the receivable balance becomes 90 days or more past due or if it is determined, based upon management's judgment, that the portfolio company is unable to pay its obligations. We write-off accounts receivable when collection efforts have been exhausted and the receivables are deemed uncollectible. As of March 31, 2017 and 2016, we had gross receivables from portfolio companies of \$1.2 million and \$1.0 million, respectively. The allowance for uncollectible receivables was \$0.3 million and \$0.4 million as of March 31, 2017 and 2016, respectively.

NOTE 4. RELATED PARTY TRANSACTIONS*Transactions with the Adviser*

We pay the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee, as provided for in the Advisory Agreement, and a loan servicing fee for the Adviser's role as servicer pursuant to the Credit Facility, each as described below. On July 12, 2016, our Board of Directors, including a majority of the directors who are not parties to the Advisory Agreement or interested persons of such party, approved the annual renewal of the Advisory Agreement through August 31, 2017.

Two of our executive officers, David Gladstone (our chairman and chief executive officer) and Terry Brubaker (our vice chairman and chief operating officer) serve as directors and executive officers of the Adviser, which is 100% indirectly owned and controlled by Mr. Gladstone. David Dullum (our president) is also an executive managing director of the Adviser.

The following table summarizes the base management fees, loan servicing fees, incentive fees, and associated non-contractual, unconditional, and irrevocable credits reflected in our accompanying *Consolidated Statements of Operations*:

	Year Ended March 31,		
	2017	2016	2015
Average total assets subject to base management fee ^(A)	\$ 496,250	\$ 496,250	\$ 378,450
Multiplied by annual base management fee of 2.0%	2.0%	2.0%	2.0%
Base management fee^(B)	9,925	9,925	7,569
Credits to fees from Adviser other ^(B)	(3,506)	(3,126)	(2,848)
Net base management fee	\$ 6,419	\$ 6,799	\$ 4,721
Loan servicing fee^(B)	6,606	6,697	4,994
Credits to base management fee loan servicing fee ^(B)	(6,606)	(6,697)	(4,994)

Net loan servicing fee	\$	\$	\$
Incentive fee^(B)	4,750	5,179	4,975
Credits to fees from Adviser other ^(B)			
Net incentive fee	\$ 4,750	\$ 5,179	\$ 4,975

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

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

Base Management Fee

The base management fee is payable quarterly to the Adviser pursuant to our Advisory Agreement and is assessed at an annual rate of 2.0%, computed on the basis of the value of our average gross assets at the end of the two most recently completed quarters (inclusive of the current quarter), which are total assets, including investments made with proceeds of borrowings, less any uninvested cash or cash equivalents resulting from borrowings, and adjusted appropriately for any share issuances or repurchases during the period.

Additionally, pursuant to the requirements of the 1940 Act, the Adviser makes available significant managerial assistance to our portfolio companies. The Adviser may also provide other services to our portfolio companies under certain agreements and may receive fees for services other than managerial assistance. Such services may include, but are not limited to: (i) assistance obtaining, sourcing or structuring credit facilities, long term loans or additional equity from unaffiliated third parties; (ii) negotiating important contractual financial relationships; (iii) consulting services regarding restructuring of the portfolio company and financial modeling as it relates to raising additional debt and equity capital from unaffiliated third parties; and (iv) primary role in interviewing, vetting and negotiating employment contracts with candidates in connection with adding and retaining key portfolio company management team members.

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The Adviser voluntarily, unconditionally, and irrevocably credits 100% of these fees against the base management fee that we would otherwise be required to pay to the Adviser; however, pursuant to the terms of the Advisory Agreement, a small percentage of certain of such fees, totaling \$0.3 million, \$0.2 million, and \$0.1 million for the years ended March 31, 2017, 2016, and 2015, respectively, was retained by the Adviser in the form of reimbursement, at cost, for tasks completed by personnel of the Adviser and primarily for the valuation of portfolio companies.

Loan Servicing Fee

The Adviser also services the loans held by our wholly-owned subsidiary, Business Investment (the borrower under the Credit Facility), in return for which the Adviser receives a 2.0% annual fee based on the monthly aggregate outstanding balance of loans pledged under the Credit Facility. Since Business Investment is a consolidated subsidiary of ours, coupled with the fact that the total base management fee paid to the Adviser pursuant to the Advisory Agreement cannot exceed 2.0% of total assets (as reduced by cash and cash equivalents pledged to creditors) during any given calendar year, we treat payment of the loan servicing fee pursuant to the Credit Facility as a pre-payment of the base management fee under the Advisory Agreement. Accordingly, these loan servicing fees are 100% voluntarily, unconditionally, and irrevocably credited back to us by the Adviser.

Incentive Fee

The incentive fee payable to the Adviser under our Advisory Agreement consists of two parts: an income-based incentive fee and a capital gains-based incentive fee.

The income-based incentive fee rewards the Adviser if our quarterly net investment income (before giving effect to any incentive fee) exceeds 1.75% of our net assets, adjusted appropriately for any share issuances or repurchases during the period (the Hurdle Rate). The income-based incentive fee with respect to our pre-incentive fee net investment income is payable quarterly to the Adviser and is computed as follows:

No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the Hurdle Rate (7.0% annualized);

100.0% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the Hurdle Rate but is less than 2.1875% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized); and

20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% of our net assets, adjusted appropriately for any share issuances or repurchases during the period, in any calendar quarter (8.75% annualized).

The second part of the incentive fee is a capital gains-based incentive fee that is determined and payable in arrears as of the end of each fiscal year (or upon termination of the Advisory Agreement, as of the termination date), and equals 20.0% of our realized capital gains, less any realized capital losses and unrealized depreciation, calculated as of the end of the preceding calendar year. The capital gains-based incentive fee payable to the Adviser is calculated based on (i) cumulative aggregate realized capital gains since our inception, less (ii) cumulative aggregate realized capital losses since our inception, less (iii) the entire portfolio's aggregate unrealized capital depreciation, if any, as of the date

of the calculation. If this number is positive at the applicable calculation date, then the capital gains-based incentive fee for such year equals 20.0% of such amount, less the aggregate amount of any capital gains-based incentive fees paid in respect of our portfolio in all prior years. For calculation purposes, cumulative aggregate realized capital gains, if any, equals the sum of the excess between the net sales price of each investment, when sold, and the original cost of such investment since our inception. Cumulative aggregate realized capital losses equals the sum of the deficit between the net sales price of each investment, when sold, and the original cost of such investment since our inception. The entire portfolio's aggregate unrealized capital depreciation, if any, equals the sum of deficit between the fair value of each investment security as of the applicable calculation date and the original cost of such investment security. We have not incurred capital gains-based incentive fees from inception through March 31, 2017, as aggregate net unrealized capital depreciation has exceeded cumulative realized capital gains net of cumulative realized capital losses.

Additionally, in accordance with GAAP, a capital gains-based incentive fee accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate unrealized capital depreciation included in the calculation of the capital gains-based incentive fee plus the aggregate unrealized capital appreciation. If such amount is positive at the end of a reporting period, then GAAP

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requires us to record a capital gains-based incentive fee equal to 20.0% of such amount, less the aggregate amount of actual capital gains-based incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such period. GAAP requires that the capital gains-based incentive fee accrual consider the aggregate unrealized capital appreciation in the calculation, as a capital gains-based incentive fee would be payable if such unrealized capital appreciation were realized. There can be no assurance that any such unrealized capital appreciation will be realized in the future. There has been no GAAP accrual recorded for a capital gains-based incentive fee since our inception through March 31, 2017.

Transactions with the Administrator

We pay the Administrator pursuant to the Administration Agreement for our allocable portion of the Administrator's expenses incurred while performing services to us, which are primarily rent and salaries and benefits expenses of the Administrator's employees, including, but not limited to, our chief financial officer and treasurer, chief valuation officer, chief compliance officer and general counsel and secretary (who also serves as the Administrator's president) and their respective staffs. Prior to July 1, 2014, our allocable portion of the expenses was generally derived by multiplying that portion of the Administrator's expenses allocable to all funds managed by the Adviser and serviced by the Administrator by the percentage of our total assets at the beginning of each quarter in comparison to the total assets at the beginning of each quarter of all funds managed by the Adviser and serviced by the Administrator.

Effective July 1, 2014, our allocable portion of the Administrator's expenses are generally derived by multiplying the Administrator's total expenses by the approximate percentage of time during the current quarter the Administrator's employees performed services for us in relation to their time spent performing services for all companies serviced by the Administrator. These administrative fees are accrued at the end of the quarter when the services are performed and recorded on our accompanying *Consolidated Statements of Operations* and generally paid the following quarter. On July 12, 2016, our Board of Directors approved the annual renewal of the Administration Agreement through August 31, 2017.

Other Transactions

Gladstone Securities, LLC (Gladstone Securities), a privately-held broker-dealer registered with the Financial Industry Regulatory Authority and insured by the Securities Investor Protection Corporation, which is 100% indirectly owned and controlled by Mr. Gladstone, our chairman and chief executive officer, has provided other services, such as investment banking and due diligence services, to certain of our portfolio companies, for which Gladstone Securities receives a fee. Any such fees paid by portfolio companies to Gladstone Securities do not impact the fees we pay to the Adviser or the non-contractual, unconditional, and irrevocable credits against the base management fee. The fees received by Gladstone Securities from portfolio companies during the years ended March 31, 2017, 2016, and 2015 totaled \$0.5 million, \$0.6 million, and \$1.1 million, respectively.

Related Party Fees Due

Amounts due to related parties on our accompanying *Consolidated Statements of Assets and Liabilities* were as follows:

	As of March 31,	
	2017	2016
	\$ 346	\$ 647

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Base management and loan servicing fee due to Adviser, net of credits		
Incentive fee due to Adviser	1,324	1,224
Other due to Adviser	1	41
Total fees due to Adviser	\$ 1,671	\$ 1,912
Fee due to Administrator	\$ 296	\$ 311
Total related party fees due	\$ 1,967	\$ 2,223

Net co-investment expenses receivable from (payable to) Gladstone Capital Corporation, one of our affiliated funds, for reimbursement purposes, and receivables from (payables to) other affiliates collectively totaled \$27 and (\$19) as of March 31, 2017 and 2016, respectively. These amounts are generally settled in the quarter subsequent to being incurred and have been included in Other Assets, net or Other liabilities, as appropriate, on the accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017 and 2016, respectively.

Table of Contents**NOTE 5. BORROWINGS***Revolving Line of Credit*

On November 16, 2016, we, through our wholly-owned subsidiary, Business Investment, entered into Amendment No. 2 to the Fifth Amended and Restated Credit Agreement, originally entered into on April 30, 2013 and as previously amended on June 26, 2014, with KeyBank National Association (KeyBank), as administrative agent, lead arranger, managing agent and lender, the Adviser, as servicer, and certain other lenders party thereto. The revolving period was extended to November 15, 2019, and if not renewed or extended by such date, all principal and interest will be due and payable on or before November 15, 2021 (two years after the revolving period end date). The amended Credit Facility provides two one-year extension options that may be exercised on or before the first and second anniversary of the November 16, 2016 amendment date, subject to approval by all lenders. Additionally, the Credit Facility commitment amount was changed from \$185.0 million to \$165.0 million and, subject to certain terms and conditions, can be expanded to a total facility amount of \$250.0 million through additional commitments of existing or new lenders. Advances under the Credit Facility generally bear interest at 30-day London Interbank Offered Rate (LIBOR) plus 3.15% per annum until November 15, 2019, with the margin then increasing to 3.40% for the period from November 15, 2019 to November 15, 2020, and increasing further to 3.65% thereafter. The Credit Facility has an unused commitment fee of 0.50% per annum on the portion of the total unused commitment amount that is less than or equal to 45.0% of the total commitment amount and 0.80% per annum on the total unused commitment amount that is greater than 45.0%. We incurred fees of approximately \$1.4 million in connection with this amendment.

On January 20, 2017, we entered into Amendment No. 3 to the Credit Facility, which clarified a definition in the Company's performance guaranty under the Credit Facility.

The following tables summarize noteworthy information related to the Credit Facility:

	As of March 31,	
	2017	2016
Commitment amount	\$ 165,000	\$ 185,000
Borrowings outstanding at cost	69,700	95,000
Availability ^(A)	95,300	90,000

	For the Years Ended March 31		
	2017	2016	2015
Weighted average borrowings outstanding	\$ 67,364	\$ 94,608	\$ 79,158
Effective interest rate ^(B)	4.72%	4.04%	3.98%
Commitment (unused) fees incurred	\$ 598	\$ 465	\$ 347

(A) Availability is subject to various constraints, characteristics and applicable advance rates based on collateral quality under the Credit Facility, which equated to an adjusted availability of \$93.4 million and \$47.1 million as of March 31, 2017 and 2016, respectively.

(B) Excludes the impact of deferred financing costs and includes weighted average unused commitment fees.

Interest is payable monthly during the term of the Credit Facility. Available borrowings are subject to various constraints and applicable advance rates, which are generally based on the size, characteristics, and quality of the collateral pledged by Business Investment. The Credit Facility also requires that any interest and principal payments on pledged loans be remitted directly by the borrower into a lockbox account with KeyBank. KeyBank is also the trustee of the account and generally remits the collected funds to us once a month.

Among other things, 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 certain material changes to our credit and collection policy without the lenders' consent. The Credit Facility also generally seeks to restrict distributions to shareholders to the sum of (i) our net investment income, (ii) net capital gains, and (iii) amounts deemed by the Company to be considered as having been paid during the prior fiscal year in accordance with Section 855(a) of the Code. Loans eligible to be pledged as collateral are subject to certain limitations, including, among other things, restrictions on geographic concentrations, industry concentrations, loan size, payment frequency and status, average life, portfolio company leverage, and lien property. The Credit Facility also requires Business Investment to comply with other financial and operational covenants, which obligate Business Investment to, among other things, maintain certain financial ratios, including asset and interest coverage and a minimum number of obligors required in the borrowing base. Additionally, the Credit Facility contains a performance guaranty that requires the Company to maintain (i) a minimum net worth (defined in the Credit Facility to include our mandatory redeemable term preferred stock) of the greater of \$210.0 million or \$210.0 million plus 50% of all equity and subordinated debt raised minus 50% of any equity or subordinated debt redeemed or retired after November 16, 2016, which equates to \$210.0 million as of March 31, 2017, (ii) asset coverage with respect to senior securities representing indebtedness of at least 200%, in accordance with Sections 18 and 61

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of the 1940 Act and (iii) our status as a BDC under the 1940 Act and as a RIC under the Code. As of March 31, 2017, and as defined in the performance guaranty of the Credit Facility, we had a net worth of \$434.3 million, an asset coverage ratio on our senior securities representing indebtedness of 661.3%, calculated in compliance with the requirements of Sections 18 and 61 of the 1940 Act, and an active status as a BDC and RIC. As of March 31, 2017, we were in compliance with all covenants under the Credit Facility.

In July 2013, pursuant to the terms of the then effective revolving line of credit, we entered into an interest rate cap agreement with KeyBank effective October 2013 for a notional amount of \$45.0 million. The interest rate cap agreement expired in April 2016. Prior to its expiration in April 2016, the agreement effectively limited the interest rate on a portion of our borrowings under the then effective revolving line of credit. We incurred a premium fee of \$75 in conjunction with this agreement, which was recorded in Net realized loss on other on our accompanying *Consolidated Statements of Operations* during the year ended March 31, 2017. As of March 31, 2016, the fair value of our interest rate cap agreement was \$0.

Secured Borrowing

In August 2012, we entered into a participation agreement with a third-party related to \$5.0 million of our secured second lien term debt investment in Ginsey Home Solutions, Inc. (Ginsey). In May 2014, we amended the agreement with the third-party to include an additional \$0.1 million. ASC Topic 860, *Transfers and Servicing* requires us to treat the participation as a financing-type transaction. Specifically, the third-party has a senior claim to our remaining investment in the event of default by Ginsey which, in part, resulted in the loan participation bearing a rate of interest lower than the contractual rate established at origination. Therefore, our accompanying *Consolidated Statements of Assets and Liabilities* reflects the entire secured second lien term debt investment in Ginsey and a corresponding \$5.1 million secured borrowing liability. The secured borrowing has a stated fixed interest rate of 7.0% and a maturity date of January 3, 2021.

Fair Value

We elected to apply the fair value option of ASC 825, *Financial Instruments*, to the Credit Facility, which was consistent with our application of ASC 820 to our investments. Generally, the fair value of the Credit Facility is determined using a yield analysis, which includes a DCF calculation and also takes into account the Valuation Team's own assumptions, including, but not limited to, the estimated remaining life, counterparty credit risk, current market yield and interest rate spreads of similar securities as of the measurement date. At March 31, 2017 and 2016, the discount rate used to determine the fair value of the Credit Facility was 30-day LIBOR, plus 3.15% per annum, and 30-day LIBOR, plus 3.25% per annum, respectively, plus an unused fee of 0.6% and 0.5%, respectively. Generally, an increase or decrease in the discount rate used in the DCF calculation may result in a corresponding decrease or increase, respectively, in the fair value of the Credit Facility. At each of March 31, 2017 and 2016, the Credit Facility was valued using Level 3 inputs and any changes in its fair value are recorded in Net unrealized depreciation (appreciation) of other on our accompanying *Consolidated Statements of Operations*.

The following tables present the Credit Facility, carried at fair value using Level 3 inputs of the hierarchy established by ASC 820 on our accompanying *Consolidated Statements of Assets and Liabilities* as of March 31, 2017 and 2016, and a roll-forward of the changes in fair value during the years ended March 31, 2017 and 2016:

Level 3 Borrowings

Recurring Fair Value Measurements
Reported in *Consolidated*
Statements of Assets and Liabilities Using Significant
 Unobservable Inputs (Level 3)
 As of March 31,

	2017		2016
Credit Facility	\$ 69,700	\$	95,000

Table of Contents**Fair Value Measurements of Borrowings Using****Significant Unobservable Inputs (Level 3)
Reported in*****Consolidated Statements******of Assets and Liabilities***

	Credit Facility
Year ended March 31, 2017:	
Fair value at March 31, 2016	\$ 95,000
Borrowings	83,400
Repayments	(108,700)
Fair value at March 31, 2017	\$ 69,700
Year ended March 31, 2016:	
Fair value at March 31, 2015	\$ 118,800
Borrowings	105,000
Repayments	(128,800)
Fair value at March 31, 2016	\$ 95,000

The fair value of the collateral under the Credit Facility was \$448.0 million and \$461.4 million as of March 31, 2017 and 2016, respectively.

NOTE 6. MANDATORILY REDEEMABLE PREFERRED STOCK

In September 2016, we completed a public offering of 2,300,000 shares of 6.25% Series D Cumulative Term Preferred Stock (our Series D Term Preferred Stock or Series D) at a public offering price of \$25.00 per share. Gross proceeds totaled \$57.5 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$55.4 million. Total underwriting discounts and offering costs related to this offering were \$2.1 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending September 30, 2023, the mandatory redemption date.

The shares of Series D Term Preferred Stock are traded under the ticker symbol GAINM on the NASDAQ Global Select Market (NASDAQ). Our Series D Term Preferred Stock is not convertible into our common stock or any other security and provides for a fixed dividend equal to 6.25% per year, payable monthly. We are required to redeem all shares of our outstanding Series D Term Preferred Stock on September 30, 2023, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series D Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200% and are unable to correct such failure within a specific amount of time, we are required to redeem a portion of our outstanding Series D Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio to be 240%). We may also voluntarily redeem all or a portion of our Series D Term

Preferred Stock at our sole option at the redemption price at any time on or after September 30, 2018.

In May 2015, we completed a public offering of 1,610,000 shares of 6.50% Series C Cumulative Term Preferred Stock (our Series C Term Preferred Stock or Series C) at a public offering price of \$25.00 per share. Gross proceeds totaled \$40.3 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$38.6 million. Total underwriting discounts and offering costs related to this offering were \$1.6 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending May 31, 2022, the mandatory redemption date.

The shares of Series C Term Preferred Stock are traded under the ticker symbol GAINN on the NASDAQ. Our Series C Term Preferred Stock is not convertible into our common stock or any other security. Our Series C Term Preferred Stock provides for a fixed dividend equal to 6.50% per year, payable monthly. We are required to redeem all shares of our outstanding Series C Term Preferred Stock on May 31, 2022, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series C Term Preferred Stock, and (2) if we fail to maintain an asset coverage ratio of at least 200% and are unable to correct such failure within a specific amount of time, we are required to redeem a portion of our outstanding Series C Term Preferred Stock or otherwise cure the ratio redemption trigger (and we may also redeem additional securities to cause the asset coverage ratio to be 215%). We may also voluntarily redeem all or a portion of our Series C Term Preferred Stock at our sole option at the redemption price at any time on or after May 31, 2018.

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In November 2014, we completed a public offering of 1,656,000 shares of 6.75% Series B Cumulative Term Preferred Stock (our Series B Term Preferred Stock or Series B) at a public offering price of \$25.00 per share. Gross proceeds totaled \$41.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$39.7 million. Total underwriting discounts and offering costs related to this offering were \$1.7 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and are being amortized over the period ending December 31, 2021, the mandatory redemption date.

The shares of Series B Term Preferred Stock are traded under the ticker symbol GAINO on the NASDAQ. Our Series B Term Preferred Stock is not convertible into our common stock or any other security. Our Series B Term Preferred Stock provides for a fixed dividend equal to 6.75% per year, payable monthly. We are required to redeem all shares of our outstanding Series B Term Preferred Stock on December 31, 2021, for cash at a redemption price equal to \$25.00 per share, plus an amount equal to accumulated but unpaid dividends, if any, to, but excluding, the date of redemption. In addition, two other potential mandatory redemption triggers are as follows: (1) upon the occurrence of certain events that would constitute a change in control of us, we would be required to redeem all of our outstanding Series B Term Preferred Stock, (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 (and we may also redeem additional securities to cause the asset coverage ratio to be 215%). We may also voluntarily redeem all or a portion of our Series B Term Preferred Stock at our sole option at the redemption price at any time on or after December 31, 2017.

In March 2012, we completed an offering of 1,600,000 shares of 7.125% Series A Cumulative Term Preferred Stock (our Series A Term Preferred Stock or Series A) at a public offering price of \$25.00 per share. Gross proceeds totaled \$40.0 million, and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$38.0 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. Total underwriting discounts and offering costs related to this offering were \$2.0 million, which have been recorded as discounts to the liquidation value on our accompanying *Consolidated Statements of Assets and Liabilities* and which, prior to the redemption in September 2016, were amortized over the period ending February 28, 2017, the mandatory redemption date.

In September 2016, we used a portion of the proceeds from the issuance of our Series D Term Preferred Stock to voluntarily redeem all 1.6 million outstanding shares of our Series A Term Preferred Stock, which had a liquidation preference of \$25.00 per share. In connection with this voluntary redemption, we incurred a loss on extinguishment of debt of \$0.2 million, which has been recorded in Realized loss on other in our accompanying *Consolidated Statements of Operations* and which was primarily comprised of unamortized deferred issuance costs at the time of redemption.

Prior to its redemption in September 2016, our Series A Term Preferred Stock provided for a fixed dividend equal to 7.125% per year, payable monthly. We were required to redeem all of the outstanding Series A Term Preferred Stock on February 28, 2017, for cash at a redemption price equal to \$25.00 per share plus an amount equal to accumulated but unpaid dividends, if any, to the date of redemption. Our Series A Term Preferred Stock was not convertible into our common stock or any other security.

The following tables summarize our Series A Term Preferred Stock, Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock outstanding as of March 31, 2017 and 2016:

As of March 31, 2017:

Class of Term Preferred Stock	Ticker Symbol	Date Issued	Mandatory Redemption Date ^(A)	Interest Rate	Shares Outstanding	Liquidation Preference per Share	Total Liquidation Preference
Series B	GAINO	November 13, 2014	December 31, 2021	6.75%	1,656,000	\$ 25.00	\$ 41,400
Series C	GAINN	May 12, 2015	May 31, 2022	6.50%	1,610,000	25.00	40,250
Series D	GAINM	September 26, 2016	September 30, 2023	6.25%	2,300,000	25.00	57,500
Term preferred stock, gross^(B)					5,566,000	\$ 25.00	\$ 139,150
Less: Discounts							(4,315)
Term preferred stock, net^(C)							\$ 134,835

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Class of Term Preferred Stock	Ticker Symbol	Date Issued	Mandatory Redemption Date ^(A)	Interest Rate	Shares Outstanding	Liquidation Preference per Share	Total Liquidation Preference
Series A	GAINP	March 6, 2012	February 28, 2017	7.125%	1,600,000	\$25.00	\$40,000
Series B	GAINO	November 13, 2014	December 31, 2021	6.750%	1,656,000	25.00	41,400
Series C	GAINN	May 12, 2015	May 31, 2022	6.500%	1,610,000	25.00	40,250

Term preferred stock, gross^(B)	4,866,000	\$ 25.00	\$ 121,650
Less: Discounts			(3,185)

Term preferred stock, net^(C) **\$ 118,465**

- (A) The optional redemption dates for each of our series of mandatorily redeemable preferred stock are February 28, 2016 for our Series A Term Preferred Stock (and we redeemed all outstanding shares of our Series A Term Preferred Stock on September 30, 2016), December 31, 2017 for our Series B Term Preferred Stock, May 31, 2018 for our Series C Term Preferred Stock, and September 30, 2018 for our Series D Term Preferred Stock.
- (B) As of March 31, 2017 and 2016, the asset coverage on our senior securities that are stock calculated pursuant to Sections 18 and 61 of the 1940 Act was 235.6% and 221.4%, respectively.
- (C) Reflected as a line item on our accompanying *Consolidated Statements of Assets and Liabilities* pursuant to the adoption of ASU 2015-03. Refer to Note 2 *Summary of Significant Accounting Policies - Reclassifications* for additional information regarding the adoption of ASU 2015-03.

The following tables summarize dividends declared by our Board of Directors and paid by us on each of our series of mandatorily redeemable preferred stock during the years ended March 31, 2017, 2016, and 2015:

For the Year Ended March 31, 2017:

Declaration Date	Record Date	Payment Date	Dividend per Series A Term Preferred Share	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share	Dividend per Series D Term Preferred Share
April 12, 2016	April 22, 2016	May 2, 2016	\$ 0.1484375	\$ 0.140625	\$ 0.135417	\$
April 12, 2016	May 19, 2016	May 31, 2016	0.1484375	0.140625	0.135417	
April 12, 2016	June 17, 2016	June 30, 2016	0.1484375	0.140625	0.135417	
July 12, 2016	July 22, 2016	August 2, 2016	0.1484375	0.140625	0.135417	

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July 12, 2016	August 22, 2016	August 31, 2016	0.1484375	0.140625	0.135417
July 12, 2016	September 21, 2016	September 30, 2016	0.1484375	0.140625	0.135417
October 11, 2016	October 21, 2016	October 31, 2016		0.140625	0.135417
October 11, 2016	November 17, 2016	November 30, 2016		0.140625	0.135417
October 11, 2016	December 20, 2016	December 30, 2016		0.140625	0.135417
January 10, 2017	January 20, 2017	January 31, 2017		0.140625	0.135417
January 10, 2017	February 16, 2017	February 28, 2017		0.140625	0.135417
January 10, 2017	March 22, 2017	March 31, 2017		0.140625	0.135417
Total			\$ 0.8906250	\$ 1.687500	\$ 1.625004
					\$ 0.80295137

(A) Represents a combined dividend for a prorated month of September 2016, based upon the issuance date of our Series D Term Preferred Stock, combined with a full month of October 2016.

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Declaration Date	Record Date	Payment Date	Dividend per Series A Term Preferred Share	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share
April 14, 2015	April 24, 2015	May 5, 2015	\$ 0.1484375	\$ 0.140625	\$
April 14, 2015	May 19, 2015	May 29, 2015	0.1484375	0.140625	
April 14, 2015	June 19, 2015	June 30, 2015	0.1484375	0.140625	
May 14, 2015 ^(B)	June 19, 2015	June 30, 2015			0.221181
July 14, 2015	July 24, 2015	August 4, 2015	0.1484375	0.140625	0.135417
July 14, 2015	August 20, 2015	August 31, 2015	0.1484375	0.140625	0.135417
July 14, 2015	September 21, 2015	September 30, 2015	0.1484375	0.140625	0.135417
October 13, 2015	October 26, 2015	November 4, 2015	0.1484375	0.140625	0.135417
October 13, 2015	November 17, 2015	November 30, 2015	0.1484375	0.140625	0.135417
October 13, 2015	December 18, 2015	December 31, 2015	0.1484375	0.140625	0.135417
January 12, 2016	January 22, 2016	February 2, 2016	0.1484375	0.140625	0.135417
January 12, 2016	February 18, 2016	February 29, 2016	0.1484375	0.140625	0.135417
January 12, 2016	March 21, 2016	March 31, 2016	0.1484375	0.140625	0.135417
Total			\$ 1.7812500	\$ 1.687500	\$ 1.439934

^(B) Represents a combined dividend for a prorated month of May 2015, based upon the issuance date of our Series C Term Preferred Stock, combined with a full month of June 2015.

For the Year Ended March 31, 2015:

Declaration Date	Record Date	Payment Date	Dividend per Series A Term Preferred Share	Dividend per Series B Term Preferred Share
April 8, 2014	April 21, 2014	April 30, 2014	\$ 0.1484375	\$
April 8, 2014	May 20, 2014	May 30, 2014	0.1484375	
April 8, 2014	June 19, 2014	June 30, 2014	0.1484375	
July 15, 2014	July 25, 2014	August 5, 2014	0.1484375	
July 15, 2014	August 20, 2014	August 29, 2014	0.1484375	
July 15, 2014	September 19, 2014	September 30, 2014	0.1484375	
October 7, 2014	October 22, 2014	October 31, 2014	0.1484375	
October 7, 2014	November 17, 2014	November 26, 2014	0.1484375	

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October 7, 2014	December 19, 2014	December 31, 2014	0.1484375	
November 24, 2014 ^(C)	December 19, 2014	December 31, 2015		0.225000
January 12, 2015	January 23, 2015	February 3, 2015	0.1484375	0.140625
January 12, 2015	February 18, 2015	February 27, 2015	0.1484375	0.140625
January 12, 2015	March 20, 2015	March 31, 2015	0.1484375	0.140625
Total			\$ 1.7812500	\$ 0.646875

^(C) Represents a combined dividend for a prorated month of November 2014, based upon the issuance date of our Series B Term Preferred Stock, combined with a full month of December 2014.

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

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, mandatorily redeemable financial instruments should be classified as liabilities on the balance sheet and we have recorded our mandatorily redeemable preferred stock at cost, which equals the liquidation preference, less discounts, as of March 31, 2017 and 2016. The related dividend payments to preferred stockholders are treated as dividend expense on our accompanying *Consolidated Statements of Operations* on the ex-dividend date.

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The following table summarizes the fair value of each of our series of mandatorily redeemable preferred stock based on the last reported closing sale price as of March 31, 2017 and 2016, each of which we consider to be a Level 1 input within the fair value hierarchy:

	Fair Value as of March 31,	
	2017	2016
Series A Term Preferred Stock ^(A)	\$	\$ 40,944
Series B Term Preferred Stock	42,973	40,738
Series C Term Preferred Stock	41,216	38,849
Series D Term Preferred Stock ^(B)	58,719	
Total	\$ 142,908	\$ 120,531

(A) We voluntarily redeemed all outstanding shares of our Series A Term Preferred Stock on September 30, 2016.

(B) Our Series D Term Preferred Stock was issued on September 26, 2016.

NOTE 7. REGISTRATION STATEMENT AND COMMON EQUITY OFFERINGS*Registration Statement*

On June 16, 2015, we filed a registration statement on Form N-2 (File No. 333-204996) with the SEC and subsequently filed a Pre-Effective Amendment No. 1 thereto on July 28, 2015, which the SEC declared effective on July 29, 2015. On June 8, 2016, we filed Post-Effective Amendment No. 1 to the registration statement, which the SEC declared effective on July 28, 2016. The registration statement permits us to issue, through one or more transactions, up to an aggregate of \$300.0 million in securities, consisting of common stock, preferred stock, subscription rights, debt securities, and warrants to purchase common or preferred stock, including through concurrent, separate offerings of such securities. As of March 31, 2017, we have the ability to issue up to \$242.5 million in securities under the registration statement.

Common Equity Offering

On March 13, 2015, pursuant to our prior registration statement, 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 our then current NAV per share. Gross proceeds totaled \$24.4 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, were \$23.0 million, which was used to repay borrowings under the Credit Facility. In April 2015, the underwriters exercised their option to purchase an additional 495,000 shares at the public offering price of \$7.40 per share to cover over-allotments, which resulted in gross proceeds of \$3.7 million and net proceeds, after deducting underwriting discounts and offering costs borne by us, of \$3.4 million.

NOTE 8. NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS PER WEIGHTED AVERAGE COMMON SHARE

The following table sets forth the computation of basic and diluted Net increase (decrease) in net assets resulting from operations per weighted average common share for the years ended March 31, 2017, 2016, and 2015:

	Year Ended March 31,		
	2017	2016	2015
Numerator: net increase in net assets resulting from operations	\$ 44,763	\$ 24,854	\$ 50,214
Denominator: basic and diluted weighted average common shares	30,270,958	30,268,253	26,665,821
Basic and diluted net increase in net assets resulting from operations per weighted average common share	\$ 1.48	\$ 0.82	\$ 1.88

NOTE 9. DISTRIBUTIONS TO COMMON STOCKHOLDERS

To qualify to be taxed as a RIC under Subchapter M of the Code, we must generally distribute to our stockholders, for each taxable year, at least 90% of our Investment Company Taxable Income. The amount to be paid out as distributions to our common stockholders is determined by our Board of Directors quarterly and is based upon management's estimate of the Investment Company Taxable Income. Based on that estimate, our Board of Directors declares three monthly distributions to common stockholders each quarter.

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The federal income tax characteristics of all distributions (including preferred stock dividends) will generally be reported to stockholders on Internal Revenue Service Form 1099 after the end of each calendar year. For calendar years ended December 31, 2016, 2015 and 2014, 100% of distributions to common stockholders during these periods were deemed to be paid from ordinary income for 1099 stockholder reporting purposes.

We paid the following monthly distributions to our common stockholders for the years ended March 31, 2017, 2016 and 2015:

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2017	April 12, 2016	April 22, 2016	May 2, 2016	\$0.0625
	April 12, 2016	May 19, 2016	May 31, 2016	0.0625
	April 12, 2016	June 17, 2016	June 30, 2016	0.0625
	July 12, 2016	July 22, 2016	August 2, 2016	0.0625
	July 12, 2016	August 22, 2016	August 31, 2016	0.0625
	July 12, 2016	September 21, 2016	September 30, 2016	0.0625
	October 11, 2016	October 21, 2016	October 31, 2016	0.0625
	October 11, 2016	November 17, 2016	November 30, 2016	0.0625
	October 11, 2016	December 20, 2016	December 30, 2016	0.0625
	January 10, 2017	January 20, 2017	January 31, 2017	0.0625
	January 10, 2017	February 16, 2017	February 28, 2017	0.0625
	January 10, 2017	March 22, 2017	March 31, 2017	0.0625
Year Ended March 31, 2017:				\$0.75

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2016	April 14, 2015	April 24, 2015	May 5, 2015	\$0.0625
	April 14, 2015	May 19, 2015	May 29, 2015	0.0625
	April 14, 2015	June 19, 2015	June 30, 2015	0.0625
	July 14, 2015	July 24, 2015	August 4, 2015	0.0625
	July 14, 2015	August 20, 2015	August 31, 2015	0.0625
	July 14, 2015	September 21, 2015	September 30, 2015	0.0625
	October 13, 2015	October 26, 2015	November 4, 2015	0.0625
	October 13, 2015	November 17, 2015	November 30, 2015	0.0625
	October 13, 2015	December 18, 2015	December 31, 2015	0.0625
	January 12, 2016	January 22, 2016	February 2, 2016	0.0625
	January 12, 2016	February 18, 2016	February 29, 2016	0.0625
	January 12, 2016	March 21, 2016	March 31, 2016	0.0625
Year Ended March 31, 2016:				\$0.75

Fiscal Year	Declaration Date	Record Date	Payment Date	Distribution per Common Share
2015	April 8, 2014	April 21, 2014	April 30, 2014	\$ 0.06
	April 8, 2014	May 20, 2014	May 30, 2014	0.06
	April 8, 2014	June 19, 2014	June 30, 2014	0.06
	July 15, 2014	July 25, 2014	August 5, 2014	0.06
	July 15, 2014	August 20, 2014	August 29, 2014	0.06
	July 15, 2014	September 19, 2014	September 30, 2014	0.06
	October 7, 2014	October 22, 2014	October 31, 2014	0.06
	October 7, 2014	November 17, 2014	November 26, 2014	0.06
	October 7, 2014	December 19, 2014	December 31, 2014	0.06
	October 7, 2014	December 19, 2014	December 31, 2014	0.05 ^(A)
	January 13, 2015	January 23, 2015	February 3, 2015	0.06
	January 13, 2015	February 18, 2015	February 27, 2015	0.06
	January 13, 2015	March 20, 2015	March 31, 2015	0.06
Year Ended March 31, 2015:				\$ 0.77

^(A) Represents a supplemental distribution of \$0.05 per share of common stock.

Aggregate distributions to our common stockholders declared quarterly and paid for the years ended March 31, 2017, 2016 and 2015 were approximately \$22.7 million, \$22.7 million, and \$20.6 million, respectively, and were declared based on estimates of Investment

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Company Taxable Income for the respective fiscal years. For each of the fiscal years ended March 31, 2017, 2016, and 2015, Investment Company Taxable Income exceeded distributions declared and paid, and, in accordance with Section 855(a) of the Code, we elected to treat \$8.2 million, \$6.9 million, and \$3.9 million, respectively, of the first distributions paid to common stockholders in the respective subsequent fiscal year as having been paid in the respective prior year.

The components of our net assets on a tax basis were as follows:

	Year Ended March 31,	
	2017	2016
Common stock	\$ 30	\$ 30
Capital in excess of par value	310,332	311,608
Cumulative unrealized depreciation of investments	(23,590)	(30,469)
Cumulative unrealized depreciation of other		(75)
Undistributed ordinary income	8,210	6,878
Undistributed capital gain	2,316	
Capital loss carryforward		(13,604)
Other temporary differences	3,784	4,654
Net Assets	\$ 301,082	\$ 279,022

We may retain some or all of our net long-term capital gains, if any, but we generally intend to distribute such gains to stockholders in cash or to designate them as deemed distributions. We had no deemed distributions during the years ended March 31, 2017, 2016, and 2015.

For the years ended March 31, 2017 and 2016, we recorded the following adjustments for permanent book-tax differences to reflect tax character. Results of operations, total net assets, and cash flows were not affected by these adjustments.

	Tax Year Ended	
	March 31,	
	2017	2016
Undistributed net investment income	\$ 1,138	\$ 1,712
Accumulated net realized gain (loss)	138	(441)
Paid-in-capital	(1,276)	(1,271)

NOTE 10. FEDERAL AND STATE INCOME TAXES

We intend to continue to maintain our qualifications as a RIC for federal income tax purposes. As a RIC, we are generally not subject to federal income tax on the portion of our taxable income and gains that we distribute to stockholders. To maintain our qualification as a RIC, we must maintain our status as a BDC and meet certain source-of-income and asset diversification requirements. In addition, in order to qualify to be taxed as a RIC, we must distribute to stockholders at least 90% of our Investment Company Taxable Income. Our policy generally is to make distributions to our stockholders in an amount up to 100% of our Investment Company Taxable Income. Because we have distributed more than 90% of our Investment Company Taxable Income, no income tax provisions have been

recorded for the years ended March 31, 2017, 2016, and 2015.

In an effort to limit certain federal excise taxes imposed on RICs, we generally distribute to our stockholders, during each calendar year, an amount close to the sum of (1) 98% 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. We incurred an excise tax of \$0.4 million, \$0.2 million, and \$0.1 million for the calendar years ended December 31, 2016, 2015 and 2014, respectively.

Under the RIC Modernization Act, we are permitted to carryforward capital losses incurred in taxable years beginning after March 31, 2011, for an unlimited period. Additionally, post-enactment capital loss carryforwards will retain their character as either short-term or long-term capital losses rather than being considered all short-term as permitted under the Treasury regulations applicable to pre-enactment capital loss carryforwards. Our capital loss carryforward balance as of March 31, 2017 and 2016 was \$0 and \$13.6 million, respectively.

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NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are party to certain legal proceedings incidental to the normal course of our business. We are required to establish reserves for litigation matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves. Based on current knowledge, we do not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our financial condition, results of operation or cash flows. Additionally, based on our current knowledge, we do not believe such loss contingencies are both probable and estimable and therefore, as of March 31, 2017 and 2016, we had no established reserves for such loss contingencies.

Escrow Holdbacks

From time to time, we will enter into arrangements relating to exits of certain investments whereby specific amounts of the proceeds are held in escrow to be used to satisfy potential obligations, as stipulated in the sales agreements. We record escrow amounts in Restricted cash and cash equivalents, if received in cash but subject to potential obligations or other contractual restrictions, or as escrow receivables in Other assets, net, if not yet received in cash, on our accompanying *Consolidated Statements of Assets and Liabilities*. We establish reserves and holdbacks against escrow amounts if we determine that it is probable and estimable that a portion of the escrow amounts will not ultimately be released or received at the end of the escrow period. Reserves and holdbacks against escrow amounts were \$0.5 million as of March 31, 2017. There were no aggregate reserves or holdbacks recorded against escrow amounts as of March 31, 2016.

Financial Commitments and Obligations

We have lines of credit and other uncalled capital commitments to certain of our portfolio companies that have not been fully drawn. Since these lines of credit and other uncalled capital commitments have expiration dates and we expect many will never be fully drawn, the total line of credit and other uncalled capital commitment amounts do not necessarily represent future cash requirements. In February 2015, we executed a capital call commitment with Tread and its senior credit facility lender, which expires in February 2018. Under the terms of the agreement, we may be required to fund additional capital up to \$10.0 million in Tread, with such commitment limited at all times to the actual amount outstanding under Tread's senior credit facility. The actual amount outstanding under Tread's senior credit facility as of March 31, 2017 and 2016 was \$0 and \$5.1 million, respectively. We estimate the fair value of the combined unused line of credit and other uncalled capital commitments as of March 31, 2017 and 2016 to be immaterial.

In addition to the lines of credit and other uncalled capital commitments to our portfolio companies, we have also extended a guaranty on behalf of one of our portfolio companies. During the years ended March 31, 2017 and 2016, we have not been required to make any payments on this guaranty, or any guaranties that existed in previous periods, and we consider the credit risks to be remote and the fair value of the guaranties as of March 31, 2017 and 2016 to be immaterial.

As of March 31, 2017, the following guaranty was outstanding:

In February 2010, we executed a guaranty of a wholesale financing facility agreement (the Floor Plan Facility) between Agricredit Acceptance, LLC (Agricredit) and Country Club Enterprises, LLC (CCE). The Floor Plan Facility provides CCE with financing of up to \$2.0 million to bridge the time and cash flow gap between the order and delivery of golf carts to customers. The guaranty was renewed in February of each subsequent year through February 2017 and expires in February 2018, unless it is renewed again by us, CCE and Agricredit.

The following table summarizes the principal balances of unused line of credit and other uncalled capital commitments and guaranties as of March 31, 2017 and 2016, which are not reflected as liabilities in the accompanying *Consolidated Statements of Assets and Liabilities*:

	As of March 31,	
	2017	2016
Unused line of credit and other uncalled capital commitments	\$ 2,884	\$ 10,564
Guaranties	2,000	2,279
Total	\$ 4,884	\$ 12,843

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	As of and for the Year Ended March 31,					
	2017	2016	2015	2014	2013	
Per Common Share Data:						
Net asset value, at beginning of year ^(A)	\$ 9.22	\$ 9.18	\$ 8.34	\$ 9.10	\$ 9.38	
Income from investment operations ^(B)						
Net investment income	0.74	0.68	0.75	0.73	0.68	
Net realized gain (loss) on sale of investments and other	0.51	(0.15)		0.31	0.03	
Net unrealized appreciation (depreciation) of investments and other	0.23	0.29	1.13	(1.09)		
Total from investment operations	1.48	0.82	1.88	(0.05)	0.71	
Effect of equity capital activity ^(B)						
Cash distributions to common stockholders from net investment income ^(C)	(0.75)	(0.64)	(0.77)	(0.71)	(0.60)	
Cash distributions to common stockholders from realized gains ^(C)		(0.11)				
Shelf registration offering costs		(0.01)	(0.03)		(0.08)	
Net dilutive effect of equity offering ^(D)		(0.03)	(0.22)		(0.31)	
Total from equity capital activity	(0.75)	(0.79)	(1.02)	(0.71)	(0.99)	
Other, net ^{(B)(E)}		0.01	(0.02)			
Net asset value at end of year ^(A)	\$ 9.95	\$ 9.22	\$ 9.18	\$ 8.34	\$ 9.10	
Per common share market value at beginning of year	\$ 7.02	\$ 7.40	\$ 8.27	\$ 7.31	\$ 7.57	
Per common share market value at end of year	9.07	7.02	7.40	8.27	7.31	
Total investment return ^(F)	41.58%	4.82%	11.96%	24.26%	4.73%	

Common stock outstanding at end of year ^(A)	30,270,958	30,270,958	29,775,958	26,475,958	26,475,958
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Statement of Assets and Liabilities Data:

Net assets at end of year	\$ 301,082	\$ 279,022	\$ 273,429	\$ 220,837	\$ 240,963
Average net assets ^(G)	294,030	276,293	229,350	231,356	216,751

Senior Securities Data:

Total borrowings, at cost	\$ 74,796	\$ 100,096	\$ 123,896	\$ 66,250	\$ 94,016
Mandatorily redeemable preferred stock ^(H)	139,150	121,650	81,400	40,000	40,000

Ratios/Supplemental Data:

Ratio of net expenses to average net assets ^(I)	10.02%	10.94%	9.48%	7.33%	6.48%
Ratio of net investment income to average net assets ^(J)	7.63	7.50	8.68	8.35	7.61

(A) Based on actual shares outstanding at the end of the corresponding year.

(B) Based on weighted average basic common share data for the corresponding year.

(C) The tax character of distributions is determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.

(D) During the years ended March 31, 2016, 2015 and 2013, the dilution is the result of issuing common shares at a price below then current NAV.

(E) Represents the impact of the different share amounts (weighted average basic common shares outstanding for the corresponding year and actual common shares outstanding at the end of the year) in the Per Common Share Data calculations and rounding impacts.

(F) Total return equals the change in the market value of our common stock from the beginning of the year, taking into account dividends reinvested in accordance with the terms of our dividend reinvestment plan. Total return does not take into account distributions that may be characterized as a return of capital. For further information on the estimated character of our distributions to common stockholders, please refer to Note 9 *Distributions to Common Stockholders*.

(G) Calculated using the average balance of net assets at the end of each month of the reporting year.

(H) Represents the total liquidation preference of our mandatorily redeemable preferred stock.

(I) Ratio of net expenses to average net assets is computed using total expenses, net of any non-contractual, unconditional, and irrevocable credits of fees from the Adviser. Had we not received any non-contractual, unconditional, and irrevocable credits of fees from the Adviser, the ratio of expenses to average net assets would have been 13.46%, 14.50%, 12.90%, 10.20%, and 8.81% for the fiscal years ended March 31, 2017, 2016, 2015, 2014, and 2013, respectively.

(J) Had we not received any non-contractual, unconditional, and irrevocable credits of fees from the Adviser, the ratio of net investment income to average net assets would have been 4.19%, 3.94%, 5.26%, 5.48%, and 5.28% for the fiscal years ended March 31, 2017, 2016, 2015, 2014, and 2013, respectively.

Table of Contents**NOTE 13. SELECTED QUARTERLY DATA (UNAUDITED)**

Year ended March 31, 2017	Quarter Ended			
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017
Total investment income	\$ 14,393	\$ 11,744	\$ 13,374	\$ 12,364
Net investment income	6,812	5,112	5,204	5,294
Net increase (decrease) in net assets resulting from operations	24,534	(102)	10,955	9,376
Net increase (decrease) in net assets resulting from operations per weighted average common share basic & diluted	\$ 0.81	\$	\$ 0.36	\$ 0.31

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

NOTE 14. UNCONSOLIDATED SIGNIFICANT SUBSIDIARIES

In accordance with the SEC's Regulation S-X, we do not consolidate portfolio company investments. Further, in accordance with ASC 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

We had one unconsolidated subsidiary, Galaxy Tool Holding Corporation, which met at least one of the significance conditions under Rule 1-02(w) of the SEC's Regulation S-X as of or during at least one of the years ended March 31, 2017, 2016 and 2015. Accordingly, audited and unaudited financial statements, as applicable, for this subsidiary have been included as exhibits to this Form 10-K pursuant to Rule 3-09.

NOTE 15. SUBSEQUENT EVENTS*Common stock offering*

In May 2017, we completed a public offering of 2.1 million shares of our common stock at a public offering price of \$9.38 per share, which was below our then current estimated NAV of \$9.95 per share. Gross proceeds totaled \$19.7 million and net proceeds, after deducting underwriting discounts and commissions and estimated offering costs borne by us, were \$18.6 million, which was used to repay borrowings under the Credit Facility and other general corporate purposes. The underwriters also have a 30-day option expiring on June 8, 2017 to purchase up to 315,000 additional shares of common stock on the same terms and conditions solely to cover over-allotments, if any.

Distributions and dividends

In April 2017, our Board of Directors declared the following monthly and supplemental distributions to common stockholders and monthly dividends to holders of our Series B Term Preferred Stock, Series C Term Preferred Stock, and Series D Term Preferred Stock:

Record Date	Payment Date	Distribution per Common Share	Dividend per Series B Term Preferred Share	Dividend per Series C Term Preferred Share	Dividend per Series D Term Preferred Share
April 21, 2017	April 28, 2017	\$ 0.064	\$ 0.140625	\$ 0.135417	\$ 0.13020833
May 19, 2017	May 31, 2017	0.064	0.140625	0.135417	0.13020833
June 5, 2017	June 15, 2017	0.060 ^(A)			
June 21, 2017	June 30, 2017	0.064	0.140625	0.135417	0.13020833
Total for the Quarter:		\$ 0.252	\$ 0.421875	\$ 0.406251	\$ 0.39062499

^(A) Denotes supplemental distribution to common stockholders.

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Investment Activity

In April 2017, we sold our investment in Mitchell Rubber Products, Inc., which had a cost basis and fair value of \$16.4 million and \$19.2 million, respectively, as of March 31, 2017. In connection with the sale, we received net cash proceeds of \$19.0 million, including the repayment of our debt investment of \$13.6 million at par.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

a) Disclosure Controls and Procedures

As of March 31, 2017 (the end of the period covered by this report), we, including our chief executive officer and chief financial officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level in timely alerting management, including the chief executive officer and chief financial officer, of material information about us required to be included in periodic SEC filings. However, in evaluation of the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

b) Management's Annual Report on Internal Control over Financial Reporting

Refer to Management's Annual Report on Internal Control over Financial Reporting located in Item 8 of this Form 10-K.

c) Attestation Report of the Independent Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm located in Item 8 of this Form 10-K.

d) Change in Internal Control over Financial Reporting

There were no changes in internal controls for the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

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PART III

We will file a definitive Proxy Statement for our 2017 Annual Meeting of Stockholders (the 2017 Proxy Statement) with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G(3) to Form 10-K. Only those sections of the 2017 Proxy Statement that specifically address the items set forth herein are incorporated by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is hereby incorporated by reference from our 2017 Proxy Statement under the captions Election of Directors, Information Regarding the Board of Directors and Corporate Governance, and Section 16(a) Beneficial Ownership Reporting Compliance.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated by reference from our 2017 Proxy Statement under the captions Executive Compensation and Director Compensation For Fiscal 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is hereby incorporated by reference from our 2017 Proxy Statement under the caption Security Ownership of Certain Beneficial Owners and Management.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated by reference from our 2017 Proxy Statement under the captions Certain Transactions and Information Regarding the Board of Directors and Corporate Governance.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is hereby incorporated by reference from our 2017 Proxy Statement under the caption Independent Registered Public Accounting Firm Fees.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. DOCUMENTS FILED AS PART OF THIS REPORT

1. The following financial statements are filed herewith:

<u>Report of Independent Registered Public Accounting Firm</u>	65
<u>Consolidated Statements of Assets and Liabilities as of March 31, 2017 and 2016</u>	66
<u>Consolidated Statements of Operations for the years ended March 31, 2017, 2016, and 2015</u>	67
<u>Consolidated Statements of Changes in Net Assets for the years ended March 31, 2017, 2016, and 2015</u>	68
<u>Consolidated Statements of Cash Flows for the years ended March 31, 2017, 2016, and 2015</u>	69
<u>Consolidated Schedules of Investments as of March 31, 2017 and 2016</u>	70
<u>Notes to Consolidated Financial Statements</u>	78

2. The following financial statement schedule is filed herewith:

<u>Schedule 12-14 Investments in and Advances to Affiliates</u>	113
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No other financial statement schedules are filed herewith because (1) such schedules are not required or (2) the information has been presented in the aforementioned financial statements.

3. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

- 3.1 Amended and Restated Certificate of Incorporation, incorporated by reference to Exhibit a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-123699), filed May 13, 2005.
- 3.1.a Certificate of Designation of 6.75% Series B Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A (File No. 001-34007), filed November 7, 2014.
- 3.1.b Certificate of Designation of 6.50% Series C Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.4 to the Registration Statement on Form 8-A (File No. 001-34007), filed May 11, 2015.
- 3.1.c Certificate of Amendment to the Certificate of Designation of 6.75% Series B Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.6 to the Quarterly Report on Form 10-Q (File No. 814-00704), filed August 4, 2015.

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- 3.1.d Certificate of Designation of 6.25% Series D Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.5 to the Registration Statement on Form 8-A (File No. 001-34007), filed September 22, 2016.
- 3.1.e Certificate of Elimination of 7.125% Series A Cumulative Term Preferred Stock, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 811-23191), filed January 11, 2017.
- 3.2 Amended and Restated Bylaws, incorporated by reference to Exhibit b.2 to the Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-123699), filed June 21, 2005.
- 3.3 First Amendment to Amended and Restated Bylaws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00704) filed July 10, 2007.
- 4.1 Specimen Stock Certificate, incorporated by reference to Exhibit d to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-123699), filed June 21, 2005.
- 4.2 Specimen 6.75% Series B Cumulative Term Preferred Stock Certificate, incorporated by reference to Exhibit 4.3 to the Registration Statement on Form 8-A (File No. 001-34007), filed November 7, 2014.
- 4.3 Specimen 6.50% Series C Cumulative Term Preferred Stock Certificate, incorporated by reference to Exhibit 4.4 to the Registration Statement on Form 8-A (File No. 001-34007), filed May 11, 2015.
- 4.4 Specimen 6.25% Series D Cumulative Term Preferred Stock Certificate, incorporated by reference to Exhibit 4.5 to the Registration Statement on Form 8-A (File No. 001-34007), filed September 22, 2016.
- 10.1 Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated June 22, 2005, incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K (File No. 814-00704), filed June 14, 2006.
- 10.2 Administration Agreement between the Registrant and Gladstone Administration, LLC, dated June 22, 2005, incorporated by reference to Exhibit 10.2 to the Annual Report on Form 10-K (File No. 814-00704), filed June 14, 2006.
- 10.3 Stock Transfer Agency Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit k to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-123699), filed May 13, 2005.
- 10.4 Custody Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit j to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-123699), filed June 21, 2005.
- 10.5 Custodial Agreement by and among Gladstone Business Investment, LLC, the Registrant, Gladstone Management Corporation, The Bank of New York Trust Company, N.A. and Deutsche Bank AG, New York Branch, dated October 19, 2006, incorporated by reference to Exhibit 2.j.2 to Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-181879), filed June 7, 2013.

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- 10.6 Amendment No. 1 to Custodial Agreement by and among Gladstone Business Investment, LLC, the Registrant, Gladstone Management Corporation, The Bank of New York Trust Company, N.A. and Deutsche Bank AG, New York Branch, dated April 14, 2009, incorporated by reference to Exhibit 2.j.3 to Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-181879), filed June 7, 2013.
- 10.7 Fifth Amended and Restated Credit Agreement, dated as of April 30, 2013, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, the Financial Institutions as party thereto, and Key Equipment Finance, Inc., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00704), filed May 2, 2013.
- 10.8 Joinder Agreement, dated as of June 12, 2013, by and among the Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance Inc. and EverBank Commercial Finance, Inc., incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00704), filed June 17, 2013.
- 10.9 Joinder Agreement, dated as of June 12, 2013, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance Inc. and AloStar Bank of Commerce, incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K (File No. 814-00704), filed June 17, 2013.
- 10.10 Amendment No. 1 to Fifth Amended and Restated Credit Agreement, dated as of June 26, 2014, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, the Financial Institutions as party thereto, and Key Equipment Finance, a division of KeyBank National Association, by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00704), filed June 30, 2014.
- 10.11 Joinder Agreement, dated as of September 19, 2014, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance, a division of KeyBank National Association, and East West Bank, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00704), filed September 22, 2014.
- 10.12 Joinder Agreement, dated as of September 19, 2014, by and among the Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance, a division of KeyBank National Association, and Manufacturers and Traders Trust, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K (File No. 814-00704), filed September 22, 2014.
- 10.13 Joinder Agreement, dated as of September 19, 2014, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance, a division of KeyBank National Association, and Customers Bank, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K (File No. 814-00704), filed September 22, 2014.
- 10.14 Joinder Agreement, dated as of September 19, 2014, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Key Equipment Finance, a division of KeyBank National Association, and Talmer Bank and Trust, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K (File No. 814-00704), filed September 22, 2014.
- 10.15 Amendment No. 2 to Fifth Amended and Restated Credit Agreement, dated November 16, 2016, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Keybank National Association, AloStar Bank of Commerce, Manufacturers and Traders Trust, East West Bank, Chemical Bank (as successor in interest to Talmer Bank and Trust) and Customers Bank, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 811-23191), filed November 17, 2016.
- 10.16

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Amendment No. 3 to Fifth Amended and Restated Credit Agreement, dated January 20, 2017, by and among Gladstone Business Investment, LLC, Gladstone Management Corporation, Keybank National Association, AloStar Bank of Commerce, Manufacturers and Traders Trust, East West Bank, Chemical Bank (as successor in interest to Talmer Bank and Trust) and Customers Bank, incorporated by reference to Exhibit 2.k.12 to Post-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-204996), filed May 11, 2017.

- 11 Computation of Per Share Earnings (included in the notes to the audited financial statements contained in this report).
- 12* Statements re: Computation of Ratios
- 14 Code of Ethics and Business Conduct, updated January 28, 2013, incorporated by reference to Exhibit 2.r to the Post-Effective Amendment No. 2 to the Registration Statement on Form N-2 (File No. 333-181979), filed June 7, 2013.
- 21* Subsidiaries of the Registrant.
- 31.1* Certification of Chief Executive Officer filed pursuant to section 302 of The Sarbanes-Oxley Act of 2002.
- 31.2* Certification of Chief Financial Officer filed pursuant to section 302 of The Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer furnished pursuant to section 906 of The Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer furnished pursuant to section 906 of The Sarbanes-Oxley Act of 2002.
- 99.1* Financial Statements of Galaxy Tool Holding Corporation and Subsidiary as of and for the years ended December 31, 2016 and 2015.
- 99.2* Financial Statements of Galaxy Tool Holding Corporation and Subsidiary as of and for the years ended December 31, 2014 and 2013 (unaudited).

* Filed herewith

Furnished herewith

Item 16. Form 10-K Summary.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLADSTONE INVESTMENT CORPORATION

Date: May 15, 2017

By: /s/ JULIA RYAN
Julia Ryan
Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: May 15, 2017

By: /s/ DAVID GLADSTONE
David Gladstone
Chief Executive Officer and Chairman of the Board
of Directors (principal executive officer)

Date: May 15, 2017

By: /s/ TERRY LEE BRUBAKER
Terry Lee Brubaker
Vice Chairman and Chief Operating Officer

Date: May 15, 2017

By: /s/ JULIA RYAN
Julia Ryan
Chief Financial Officer and Treasurer (principal
financial and accounting officer)

Date: May 15, 2017

By: /s/ ANTHONY W. PARKER
Anthony W. Parker
Director

Date: May 15, 2017

By: /s/ MICHELA A. ENGLISH
Michela A. English
Director

Date: May 15, 2017

By: /s/ PAUL ADELGREN
Paul Adलगren
Director

Date: May 15, 2017

By: /s/ JOHN H. OUTLAND
John H. Outland
Director

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Date: May 15, 2017

By: /s/ CAREN D. MERRICK
Caren D. Merrick
Director

Date: May 15, 2017

By: /s/ WALTER H. WILKINSON, JR.
Walter H. Wilkinson, Jr.
Director

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SCHEDULE 12-14

GLADSTONE INVESTMENT CORPORATION
INVESTMENTS IN AND ADVANCES TO AFFILIATES
(AMOUNTS IN THOUSANDS)

Name of Issuer ^(A)	Title of Issue or Nature of Indebtedness ^(B)	Amount of Investment Income ^(C)	Value as of March 31, 2016	Gross Additions ^(D)	Gross Reductions ^(E)	Value as of March 31, 2017
CONTROL INVESTMENTS						
Galaxy Tool Holding Corporation	Secured First Lien Line of Credit	\$ 311	\$ 5,000	\$ 300	\$ (500)	\$ 4,800
	Secured Second Lien Term Loan	507	5,000			5,000
	Preferred Stock			6,242		6,242
	Common Stock					
		818	10,000	6,542	(500)	16,042
TOTAL CONTROL INVESTMENTS		\$ 818	\$ 10,000	\$ 6,542	\$ (500)	\$ 16,042
AFFILIATE INVESTMENTS						
Acme Cryogenics, Inc. ^(G)	Secured Second Lien Term Loan	\$ 111	\$ 14,500	\$	\$ (14,500)	\$
	Preferred Stock	2,750	22,337		(22,337)	
	Common Stock		4,201		(4,201)	
	Common Stock Warrants		3,856		(3,856)	
		2,861	44,894		(44,894)	
Alloy Die Casting Corp.	Secured First Lien Term Loan ^(F)	1,260	11,390		(1,618)	9,772
	Secured First Lien Term Loan			910	(178)	732
	Secured First Lien Term Loan ^(F)	17		175	(35)	140
	Preferred Stock		612	840	(1,452)	
	Common Stock					
		1,277	12,002	1,925	(3,283)	10,644
Behrens Manufacturing, LLC ^(G)	Secured First Lien Term Loan	1,857	9,975		(9,975)	
	Preferred Stock	(505) ^(J)	8,593		(8,593)	
		1,352	18,568		(18,568)	

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Brunswick Bowling Products, Inc.	Secured First Lien Term Loan	2,093	11,307		11,307
	Preferred Stock		5,267	6,062	11,329
		2,093	16,574	6,062	22,636
B+T Group Acquisition, Inc.	Secured First Lien Term Loan	1,845	14,000		14,000
	Preferred Stock				
		1,845	14,000		14,000
Cambridge Sound Management, Inc.	Secured Second Lien Term Loan	2,065	15,000	1,000	16,000
	Preferred Equity		12,835	(1,789)	11,046
		2,065	27,835	1,000	(1,789) 27,046
Channel Technologies Group, LLC	Preferred Stock		989	109	(1,098)
	Common Stock				
			989	109	(1,098)
Counsel Press, Inc. ⁽¹⁾	Secured First Lien Line of Credit	10			
	Secured First Lien Term Loan	2,327	18,000		(18,000)
	Secured First Lien Term Loan	781	5,500		(5,500)
	Preferred Equity		5,399	1,596	(6,995)
		3,118	28,899	1,596	(30,495)
D.P.M.S., Inc.	Secured First Lien Line of Credit	97	4,000		(4,000)
	Secured First Lien Term Loan	61	2,575		(2,575)
	Secured First Lien Term Loan	209	2,073	6,723	(8,796)
	Secured First Lien Term Loan	36		1,150	(1,150)
	Secured First Lien Term Loan	371		8,796	(1,621) 7,175
	Preferred Stock			2,500	(2,500)
	Common Stock			1	(1)
		774	8,648	19,170	(20,643) 7,175

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GLADSTONE INVESTMENT CORPORATION

INVESTMENTS IN AND ADVANCES TO AFFILIATES (Continued)

(AMOUNTS IN THOUSANDS)

Name of Issuer^(A)	Title of Issue or Nature of Indebtedness^(B)	Amount of Investment Income^(C)	Value as of March 31, 2016	Gross Additions^(D)	Gross Reductions^(E)	Value as of March 31, 2017
Edge Adhesives Holdings, Inc.	Secured First Lien Term Loan	\$ 1,179	\$ 8,928	\$ 279	\$	\$ 9,207
	Secured First Lien Term Loan	334	2,310	78		2,388
	Preferred Stock			1,271		1,271
		1,513	11,238	1,628		12,866
GI Plastek, Inc.	Secured First Lien Term Loan	2,015	15,000			15,000
	Preferred Stock		5,672	82		5,754
		2,015	20,672	82		20,754
Head Country Food Products, Inc.	Secured First Lien Term Loan	1,147	9,050			9,050
	Preferred Stock			5,752		5,752
		1,147	9,050	5,752		14,802
JR Hobbs Co. Atlanta, LLC ^(H)	Secured First Lien Line of Credit	33		2,950		2,950
	Secured First Lien Term Loan	326		21,000		21,000
	Preferred Stock			5,920		5,920
		359		29,870		29,870
Logo Sportswear, Inc.	Secured First Lien Term Loan	1,400	9,200			9,200
	Preferred Stock	945	2,795	8,375		11,170
		2,345	11,995	8,375		20,370
Meridian Rack & Pinion, Inc.	Secured First Lien Term Loan	1,322	8,791		(145)	8,646
	Preferred Stock		988	1,902		2,890
		1,322	9,779	1,902	(145)	11,536
The Mountain Corporation ^(H)	Secured First Lien Term Loan	2,281		18,600		18,600
	Preferred Stock			6,899	(6,746)	153
	Common Stock			1	(1)	

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		2,281		25,500	(6,747)	18,753
NDLI, Inc.	Preferred Stock					
	Common Stock					
Old World Christmas, Inc.	Secured First Lien Term Loan	2,119	15,770			15,770
	Preferred Stock		4,159	2,976		7,135
		2,119	19,929	2,976		22,905
Precision Southeast, Inc.	Secured Second Lien Term Loan	1,365	9,618			9,618
	Preferred Stock		3,922		(3,922)	
	Common Stock					
		1,365	13,540		(3,922)	9,618
SOG Specialty Knives & Tools, LLC	Secured First Lien Term Loan	833	6,200			6,200
	Secured First Lien Term Loan	1,825	12,200			12,200
	Preferred Stock		7,747		(7,036)	711
		2,658	26,147		(7,036)	19,111
Tread Corporation ⁽¹⁾	Secured First Lien Line of Credit ^(F)		1,426	600	(2,026)	
	Preferred Stock		538	3,229	(3,767)	
	Common Stock			753	(753)	
			1,964	4,582	(6,546)	
TOTAL AFFILIATE INVESTMENTS		\$ 32,509	\$ 296,723	\$ 110,529	\$ (145,166)	\$ 262,086

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- (A) Certain of the listed securities are issued by affiliate(s) of the indicated portfolio company.
- (B) Common stock, warrants, options and, in some cases, preferred stock are generally non-income-producing and restricted. The principal amount of debt and the number of shares of common stock and preferred stock are shown in the accompanying *Consolidated Schedule of Investments* as of March 31, 2017.
- (C) Represents the total amount of interest or other investment income credited to income for the portion of the year an investment was a control investment or affiliate investment, as appropriate.
- (D) Gross additions include increases in investments resulting from new portfolio investments, paid-in-kind interest or dividends, the amortization of discounts and fees and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or decreases in unrealized depreciation.
- (E) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales, the amortization of premiums and acquisition costs and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or decreases in unrealized appreciation.
- (F) Debt security is on non-accrual status and, therefore, is considered non-income producing as of March 31, 2017.
- (G) Investment was exited during the year ended March 31, 2017.
- (H) New investment during the year ended March 31, 2017.
- (I) As a result of changes in the investment structure, Counsel Press, Inc. and Tread Corporation were transferred from Affiliate to Non-Control/Non-Affiliate during the year ended March 31, 2017.
- (J) During the year ended March 31, 2017, we re-characterized \$0.5 million of dividend income from our investment in Behrens Manufacturing, LLC, which was originally recorded during our fiscal year ended March 31, 2016, as a return of capital.

** Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.