

Gladstone Investment Corporation Reports Financial Results for the Quarter and Fiscal Year Ended March 31, 2009

- * Net Investment Income for the quarter ended March 31, 2009 was \$3.0 million, or \$0.14 per common share, and for the fiscal year ended March 31, 2009 was \$13.4 million, or \$0.62 per common share.
- * Net Decrease in Net Assets Resulting From Operations for the quarter ended March 31, 2009 was (\$4.0) million, or (\$0.18) per common share, and for the fiscal year was (\$11.4) million, or (\$0.53) per common share.

MCLEAN, Va., June 1, 2009 (GLOBE NEWSWIRE) -- Gladstone Investment Corp. (Nasdaq:GAIN) (the "Company") today announced earnings for the fourth quarter and fiscal year ended March 31, 2009. All per share references are per basic and diluted weighted average common share outstanding, unless otherwise noted.

Net Investment Income for the quarter ended March 31, 2009 was \$3.0 million, or \$0.14 per common share, as compared to \$3.4 million, or \$0.21 per common share, for the quarter ended March 31, 2008, a decrease in Net Investment Income of 11.8% and a decrease of 33.3% per common share. The decrease in Net Investment Income was driven primarily by reductions in interest rates in the U.S financial markets based on the London Interbank Offering Rate ("LIBOR") during the comparable quarter-end periods, due to the instability and tightening of the credit markets. The per share results were also adversely impacted by the increase in weighted average shares as a result of the rights offering completed subsequent to the quarter ended March 31, 2008.

Net Investment Income for the fiscal year ended March 31, 2009 was \$13.4 million, or \$0.62 per common share, as compared to \$13.1 million, or \$0.79 per common share, for the fiscal year ended March 31, 2008, an increase in Net Investment Income of 2.3%, but a decrease of 21.5% per common share. The increase in Net Investment Income compared to the prior fiscal year end period was driven primarily by lower interest expense incurred on decreased borrowings outstanding under the Company's credit facility, partially offset by reductions in LIBOR during the fiscal year, the net result being a slight increase in Net Investment Income when compared to the prior year period. The per share results were also adversely impacted by the increase in weighted average shares as a result of the rights offering completed subsequent to the fiscal year ended March 31, 2008.

Net Decrease in Net Assets Resulting from Operations for the quarter ended March 31, 2009 was (\$4.0) million, or (\$0.18) per common share, as compared to \$10.0 million, or \$0.60 per common share, for the quarter ended March 31, 2008. Net Decrease in Net Assets Resulting from Operations for the fiscal year ended March 31, 2009 was (\$11.4) million, or (\$0.53) per share, as compared to \$0.9 million, or \$0.06 per share, for the fiscal year ended March 31, 2008. The 2009 fiscal year figures were largely impacted by significant devaluations in the

Company's portfolio experienced during the fiscal year ended March 31, 2009, particularly in the senior syndicated loan market, as discussed below. The per share results were also adversely impacted by the increase in weighted average shares as a result of the rights offering completed subsequent to the quarter and fiscal year ended March 31, 2008.

The primary difference between the current and prior year periods is the increase in net unrealized depreciation on the Company's investment portfolio, specifically in the senior syndicated loan investments. The Company recorded net unrealized depreciation of \$6.1 million and \$19.8 million for the quarter and fiscal year ended March 31, 2009, respectively, compared to net unrealized depreciation of \$11.1 million and \$11.6 million for the quarter and fiscal year ended March 31, 2008, respectively. The Company's investment portfolio was valued at a depreciated value as of March 31, 2009 due primarily to the general instability of the loan markets. Although the investment portfolio has depreciated, the entire portfolio was fair valued at 90.0% of cost as of March 31, 2009. The unrealized depreciation of the Company's investments does not have an impact on its current ability to pay distributions to stockholders, although it may be an indication of future realized losses, which could ultimately reduce the Company's income available for distribution.

Net realized loss on investments for the quarter and fiscal year ended March 31, 2009 was \$0.8 million and \$5.0 million, respectively, as compared to \$2.2 million and \$2.4 million for the quarter and fiscal year ended March 31, 2008, respectively. These losses were realized in connection with various sales and settlements of the Company's senior syndicated loan investments throughout the related periods.

Total assets were \$326.8 million at March 31, 2009, as compared to \$352.3 million at March 31, 2008. Net asset value was \$9.73 per actual common share outstanding at March 31, 2009, as compared to \$12.47 per actual common share outstanding at March 31, 2008.

The annualized weighted average yield on the Company's portfolio, excluding cash and cash equivalents, was 7.9% and 8.2% for the quarter and fiscal year ended March 31, 2009, respectively, as compared to 8.4% and 8.9% for the quarter and fiscal year ended March 31, 2008, respectively. The weighted average yield varies from period to period based on the current stated interest rate on interest-bearing investments and the amounts of loans for which interest is not accruing. Reductions in LIBOR during the quarter and fiscal year ended March 31, 2009 have reduced the Company's income, negatively impacting financial results. The effect of the decrease in LIBOR has been mitigated by the presence of a rate floor or fixed rate on most of the other loans held in the Company's portfolio that it has originated.

During the fourth quarter ended March 31, 2009, the Company recorded the following activity:

- * Entered into agreements to sell the majority of its senior syndicated loans, one of which settled prior to March 31, 2009 and the balance of which were settled during April and May 2009;
- * Settled one syndicated loan, RPG Holdings, Inc., through a bankruptcy petition, in which the Company received \$900,000 in cash and \$3.0 million in senior term notes in exchange with American Greetings Corporation; and
- * Paid monthly distributions of \$0.08 per share for each of the months of January, February and March 2009.

At March 31, 2009, the Company held 34 Non-Control/Non-Affiliate investments, seven Control investments and five Affiliate investments, totaling an aggregate cost basis of approximately \$349 million and a fair value of approximately \$314 million.

	March 31, 2009	
	Cost	Fair Value
Senior Term Debt	\$ 230,861	\$ 185,161
Senior Subordinated Term Debt	72,762	66,576
Subordinated Term Debt	--	--
Preferred & Common Equity Securities	45,322	62,193
Total Investments	\$ 348,945	\$ 313,930

Upon the settlement of the sale of the majority of its senior syndicated loans and certain portfolio company refinancing of senior term debt in April and May, as described below, the Company's total investment portfolio, at cost, approximated fair value of approximately \$240 million. As a result of the Company's recent senior syndicated loan sales, it currently holds five Non-Control/Non-Affiliate investments, seven Control investments and five Affiliate investments.

"We will strive to maintain and grow our portfolio mix of mezzanine and equity company investments, though we continue to worry about the economy, which is reflected in our limited investment activity in the prior two quarters. Our goal continues to be the maintenance and consistency of our distributions to stockholders," said Dave Dullum, President.

Subsequent to March 31, 2009, the Company:

* Entered into a new credit agreement for a \$50.0 million revolving credit facility with Branch Bank and Trust Company in April 2009 (the "Credit Facility"). Key Equipment Finance Inc. is also a lender in this facility. In connection with the entry into the Credit Facility, the Company borrowed \$43.8 million under the Credit Facility to repay in full all principal and interest owing under its prior credit agreement and Deutsche Bank, A.G., who was a lender under the prior facility, elected not to participate in the new facility and withdrew its commitment. Committed funding under the Credit Facility was reduced from the \$125.0 million available under its prior credit facility. The Credit Facility matures on April 14, 2010 and if the facility is not renewed or extended by this date, all unpaid principal and interest will be due and payable within one year of maturity. In May 2009, the Company cancelled its interest rate cap agreement with Deutsche Bank, A.G. and entered into a new interest rate cap agreement for a notional amount of \$45 million that will effectively limit the interest rate on a portion of the borrowings under the line of credit pursuant to the terms of the Credit Facility.

* Finalized its sale of 29 of the 32 senior syndicated loans that were held in its portfolio of investments at March 31, 2009 to various investors in the syndicated loan market. The loans, in

aggregate, had a cost value of approximately \$104.2 million, or 29.9% of the cost value of the Company's total investments, and an aggregate fair market value of approximately \$69.8 million, or 22.2% of the fair market value of the Company's total investments, at March 31, 2009. As a result of these sales, the Company received approximately \$69.2 million in net cash proceeds and recorded a realized loss of approximately \$34.6 million, which loss will be reflected in the results of operations for the three months ending June 30, 2009. The proceeds from these sales were used to pay down the Company's prior credit facility.

- * Entered into agreements with certain of its portfolio companies, including the refinancing of senior term debt, reductions in revolving lines of credit and prepayments of revolving lines of credit.
- * Declared monthly cash distributions of \$0.04 per common share for each of the months of April, May and June 2009.

The financial statements below are without footnotes, so readers should obtain and carefully review the Company's Form 10-K for the fiscal year ended March 31, 2009, including the footnotes to the financial statements contained therein. The Company has filed the 10-K with the Securities and Exchange Commission (the "SEC") today, which can be retrieved from the SEC's website at www.sec.gov or from the Company's website at www.GladstoneInvestment.com. A paper copy can be obtained free of charge by writing to the Company at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

The Company will hold a conference call Tuesday, June 2, 2009 at 8:30 am EDT. Please call (877) 407-8031 to enter the conference. An operator will monitor the call and set a queue for the questions. A replay of the conference call will be available through September 2, 2009. To hear the replay, please dial (877) 660-6853, access playback account 286 and use ID code 320571. The replay will be available approximately two hours after the call concludes.

The live audio broadcast of Gladstone Investment's quarterly conference call will be available online at www.GladstoneInvestment.com and www.investorcalendar.com. The event will be archived and available for replay on the Company's website through September 2, 2009.

Gladstone Investment Corporation is an investment company that seeks to make debt and equity investments in small and medium-sized private businesses in the U.S. in connection with buyouts and other recapitalizations. For more information please visit the Company's website at <http://www.GladstoneInvestment.com>.

For further information contact Kerry Finnegan at 703-287-5893.

This press release includes statements that may constitute "forward-looking statements," including statements with regard to the future performance of the Company. Words such as "should," "could," "believes," "feel," "expects," "confident," "projects," "strive," "goals," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Examples of such forward looking statements include statements regarding the Company's ability to maintain the value of its investment portfolio, to maintain

the portfolio mix of investments, to make further investments and continue its current rate of distributions to stockholders. Factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the Company's ability to obtain the commitment of other lenders to join the Credit Facility, the Company's ability to maintain its status as a regulated investment company and the Company's ability to generate net investment income. Additional factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements also include those factors listed under the caption "Risk Factors" of the Company's Form 10-K for the fiscal year ended March 31, 2009, as filed on June 2, 2009. The risk factors set forth in the Form 10-K under the caption "Risk Factors" are specifically incorporated by reference into this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	March 31, 2009	March 31, 2008
	-----	-----
ASSETS		
Non-Control/Non-Affiliate investments (Cost 3/31/09: \$134,836; 3/31/08: \$166,416)	\$ 94,740	\$ 142,739
Control investments (Cost 3/31/09: \$150,081; 3/31/08: \$138,354)	166,163	145,407
Affiliate investments (Cost 3/31/09: \$64,028; 3/31/08: \$46,035)	53,027	47,458
	-----	-----
Total investments at fair value (Cost 3/31/09: \$348,945; 3/31/08: \$350,805)	313,930	335,604
Cash and cash equivalents	7,236	9,360
Interest receivable	1,500	1,662
Due from custodian	2,706	4,399
Due from Adviser	--	89
Deferred financing fees	1,167	323
Prepaid assets	172	480
Other assets	132	376
	-----	-----
TOTAL ASSETS	\$ 326,843	\$ 352,293
	=====	=====
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,283	\$ 716
Fee due to Administrator	179	208
Fees due to Adviser	187	--
Borrowings under line of credit	110,265	144,835
Other liabilities	127	89
	-----	-----
TOTAL LIABILITIES	112,041	145,848
	-----	-----
NET ASSETS	\$ 214,802	\$ 206,445
	=====	=====

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value, 100,000,000 shares authorized; 22,080,133 and 16,560,100 shares issued and outstanding at March 31, 2009 and March 31, 2008, respectively	\$ 22	\$ 17
Capital in excess of par value	257,361	224,172
Net unrealized depreciation of investment portfolio	(35,015)	(15,201)
Net unrealized depreciation of derivative	(53)	(53)
Accumulated net investment income	18	18
Accumulated net realized loss	(7,531)	(2,508)
	-----	-----
TOTAL NET ASSETS	\$ 214,802	\$ 206,445
	=====	=====
NET ASSETS PER SHARE	\$ 9.73	\$ 12.47
	=====	=====

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

	Quarter Ended March 31,	
	2009	2008
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INVESTMENT INCOME		
Interest income		
Non-Control/Non-Affiliate investments	\$ 1,669	\$ 3,355
Control investments	2,919	2,725
Affiliate investments	1,438	784
Cash and cash equivalents	--	23
	-----	-----
Total interest income	6,026	6,887
Other income	12	7
	-----	-----
Total investment income	6,038	6,894
	-----	-----
EXPENSES		
Loan servicing fee	1,233	1,273
Base management fee	396	493
Administration fee	179	208
Interest expense	1,340	1,914
Amortization of deferred financing fees	--	139
Professional fees	148	60
Stockholder related costs	72	48
Insurance expense	57	48
Directors fees	49	55
Other expenses	107	110
	-----	-----
Expenses before credit from Adviser	3,581	4,348
Credit to base management fee from Adviser	(510)	(877)
	-----	-----
Total expenses net of credit to base management fee	3,071	3,471
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NET INVESTMENT INCOME	2,967	3,423
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REALIZED AND UNREALIZED GAIN (LOSS) ON
INVESTMENTS:

Realized loss on sale of Non-Control/ Non-Affiliate investments	(808)	(2,214)
Net unrealized depreciation of Non-Control/ Non-Affiliate investments	(8,704)	(12,606)
Net unrealized appreciation (depreciation) of Control investments	1,301	397
Net unrealized (depreciation) appreciation of Affiliate investments	1,262	1,105
Net unrealized depreciation on derivative	--	(58)
	-----	-----
Net loss on investments	(6,949)	(13,376)
	-----	-----

NET (DECREASE) INCREASE IN NET ASSETS
RESULTING FROM OPERATIONS

\$	(3,982)	\$	(9,953)
=====		=====	

NET (DECREASE) INCREASE IN NET ASSETS
RESULTING FROM OPERATIONS PER COMMON SHARE:

Basic and diluted	\$	(0.18)	\$	(0.60)
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WEIGHTED AVERAGE SHARES OF COMMON STOCK
OUTSTANDING:

Basic and diluted weighted average shares	22,080,133	16,560,100
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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Year Ended March 31,		
	2009	2008	2007

INVESTMENT INCOME			
Interest income			
Non-Control/Non-Affiliate investments	\$ 8,466	\$ 14,575	\$ 9,572
Control investments	11,291	10,768	5,486
Affiliate investments	5,376	2,286	536
Cash and cash equivalents	67	217	1,662
	-----	-----	-----
Total interest income	25,200	27,846	17,256
Other income	612	48	6
	-----	-----	-----
Total investment income	25,812	27,894	17,262
	-----	-----	-----
EXPENSES			
Loan servicing fee (Refer to Note 4)	5,002	5,014	1,569
Base management fee (Refer to Note 4)	1,699	1,803	2,413
Administration fee (Refer to Note 4)	821	855	527
Interest expense	5,349	7,733	608
Amortization of deferred financing fees	323	734	234
Professional fees	532	416	586

Stockholder related costs	485	268	273
Insurance expense	222	231	262
Directors fees	194	232	208
Other expenses	271	365	312
	-----	-----	-----
Expenses before credit from Adviser	14,898	17,651	6,992
Credit to base management fee from Adviser (Refer to Note 4)	(2,474)	(2,809)	(878)
	-----	-----	-----
Total expenses net of credit to base management fee	12,424	14,842	6,114
	-----	-----	-----
NET INVESTMENT INCOME	13,388	13,052	11,148
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REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Realized loss on sale of Non-Control/Non-Affiliate investments	(5,023)	(2,412)	(94)
Net unrealized depreciation of Non-Control/Non-Affiliate investments	(16,418)	(23,278)	(562)
Net unrealized appreciation (depreciation) of Control investments	9,029	10,339	(3,236)
Net unrealized (depreciation) appreciation of Affiliate investments	(12,425)	1,411	13
Net unrealized depreciation on derivative	--	(53)	--
	-----	-----	-----
Net loss on investments	(24,837)	(13,993)	(3,879)
	-----	-----	-----
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ (11,449)	\$ (941)	\$ 7,269
	=====	=====	=====
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:			
Basic and diluted	\$ (0.53)	\$ (0.06)	\$ 0.44
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:			
Basic and diluted weighted average shares	21,545,936	16,560,100	16,560,100

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)
(UNAUDITED)

Quarter Ended March 31,

2009 2008

Per Share Data (1)	-----	-----
Balance at beginning of period	\$ 10.15	\$ 13.31
Income from investment operations		
Net investment income (2)	0.14	0.21
Realized loss on sale of investments (2)	(0.04)	(0.13)
Net unrealized depreciation of investments (2)	(0.28)	(0.68)
Total from investment operations	(0.18)	(0.60)
Distributions to stockholders:		
Net investment income	(0.13)	(0.21)
Tax return on capital	(0.11)	(0.03)
Total distributions (3)	(0.24)	(0.24)
Net asset value at end of period	\$ 9.73	\$ 12.47
	=====	=====
Per share market value at beginning of period	\$ 4.89	\$ 9.81
Per share market value at end of period	3.82	9.41
Total return (5)	(17.39)%	(1.77)%
Shares outstanding at end of period	22,080,133	16,560,100

Statement of Assets and Liabilities Data:

Net assets at end of period	\$ 214,802	\$ 206,445
Average net assets (6)	218,259	214,144

Senior Securities Data:

Borrowing under line of credit	\$ 110,265	\$ 144,835
Asset coverage ratio (7), (8)	295%	243%
Average coverage per unit (8)	\$ 2,948	\$ 2,425

Ratios/Supplemental Data:

Ratio of expenses to average net assets (9), (10)	6.56%	8.12%
Ratio of net expenses to average net assets (9), (11)	5.63%	6.48%
Ratio of net investment income to average net assets (9)	5.44%	6.39%

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- (1) Based on actual shares outstanding at the end of the corresponding period.
 - (2) Based on weighted average basic per share data.
 - (3) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.
 - (4) The effect of distributions from the stock rights offering after the record date represents the effect on net asset value of issuing additional shares after the record date of a distribution.
 - (5) Total return equals the change in the market value of the Company's common stock from the beginning of the period taking into account distributions reinvested in accordance with the

- terms of our distribution reinvestment plan.
- (6) Calculated using the average of the ending monthly net assets for the respective periods.
 - (7) As a business development company, the Company is generally required to maintain a ratio of at least 200% of total assets to total borrowings.
 - (8) Asset coverage ratio is the ratio of the carrying value of the Company's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
 - (9) Amounts are annualized
 - (10) Ratio of expenses to average net assets is computed using expenses before credit from the Adviser.
 - (11) Ratio of net expenses to average net assets is computed using total expenses net of credits to the management fee.

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AND PER UNIT DATA)
(UNAUDITED)

	Year Ended March 31,		
	2009	2008	2007

Per Share Data (1)			

Balance at beginning of period \$	12.47	\$ 13.46	\$ 13.88
Income from investment operations			
Net investment income (2)	0.62	0.79	0.67
Realized loss on sale of investments (2)	(0.23)	(0.15)	(0.01)
Net unrealized depreciation of investments (2)	(0.92)	(0.70)	(0.22)
	-----	-----	-----
Total from investment operations	(0.53)	(0.06)	0.44
	-----	-----	-----
Distributions to stockholders:			
Net investment income	(0.62)	(0.78)	(0.75)
Tax return on capital	(0.34)	(0.15)	(0.10)
	-----	-----	-----
Total distributions (3)	(0.96)	(0.93)	(0.85)
Rights offering costs	(0.03)	--	(0.01)
Effect on distribution of rights offering after record date (4)	(1.22)	--	--
	-----	-----	-----
Net asset value at end of period	\$ 9.73	\$ 12.47	\$ 13.46
	=====	=====	=====
Per share market value at beginning of period	\$ 9.32	\$ 14.87	\$ 15.10
Per share market value at end			

of period	3.82	9.41	14.87
Total return (5)	(51.65)%	(31.54)%	4.36%
Shares outstanding at end of period	22,080,133	16,560,100	16,560,100

Statement of Assets and
Liabilities Data:

Net assets at end of period	\$ 214,802	\$ 206,445	\$ 222,819
Average net assets (6)	228,869	219,626	225,643

Senior Securities Data:

Borrowing under line of credit	\$ 110,265	\$ 144,835	\$ 100,000
Asset coverage ratio (7), (8)	295%	243%	323%
Average coverage per unit (8)	\$ 2,948	\$ 2,425	\$ 3,228

Ratios/Supplemental Data:

Ratio of expenses to average net assets (9)	6.51%	8.04%	3.10%
Ratio of net expenses to average net assets (10)	5.43%	6.76%	2.71%
Ratio of net investment income to average net assets	5.85%	5.94%	4.94%

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- (1) Based on actual shares outstanding at the end of the corresponding period.
 - (2) Based on weighted average basic per share data.
 - (3) Distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.
 - (4) The effect of distributions from the stock rights offering after the record date represents the effect on net asset value of issuing additional shares after the record date of a distribution.
 - (5) Total return equals the change in the market value of the Company's common stock from the beginning of the period taking into account distributions reinvested in accordance with the terms of our distribution reinvestment plan.
 - (6) Calculated using the average of the ending monthly net assets for the respective periods.
 - (7) As a business development company, the Company is generally required to maintain a ratio of at least 200% of total assets to total borrowings.
 - (8) Asset coverage ratio is the ratio of the carrying value of the Company's total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.
 - (9) Ratio of expenses to average net assets is computed using expenses before credit from the Adviser.
 - (10) Ratio of net expenses to average net assets is computed using total expenses net of credits to the management fee.

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