

April 4, 2011

 GLADSTONE INVESTMENT

Gladstone Investment Corporation Announces \$5.6 Million Sale of Equity Investment in Cavert and Reinvestment

MCLEAN, Va., April 4, 2011 /PRNewswire/ -- Gladstone Investment Corporation (Nasdaq: GAIN) (the "Company") announced today that on Friday, April 1, 2011, it sold its equity investment in and received partial redemption of its preferred stock, while investing new subordinated debt in, Cavert II Holding Corporation ("Cavert") as part of a recapitalization allowing Cavert's management team to acquire all the remaining common equity from the Company. The net cash proceeds to the Company from the sale of its equity in Cavert were \$5.6 million, resulting in a realized gain of \$5.5 million. At the same time, the Company received \$2.3 million in a partial redemption of its preferred stock, received \$0.7 million in preferred dividends, and invested \$5.7 million in new subordinated debt of Cavert. In October 2007, the Company made its original equity investment and provided debt financing in support of a management-led buyout of Cavert.

(Logo: <https://photos.prnewswire.com/prnh/20101005/GLADSTONEINVESTMENT>)

"We continue to be impressed with the results of Cavert and its excellent management team, and are pleased that we have been able to facilitate this change of ownership while maintaining significant attractive yielding investments in Cavert," said Dave Dullum, the Company's President.

Cavert is the largest supplier of non-galvanized bailing wire in the United States and produces an array of wire products for the paper and paperboard recycling industries.

Gladstone Investment Corporation is a publicly traded business development company that seeks to make debt and equity investments in small and mid-sized businesses in the United States in connection with acquisitions, changes in control and recapitalizations. The Company currently pays a monthly dividend of four cents per share. Additional information on this transaction can be found at www.gladstonecompanies.com.

For Investor Relations inquiries related to any of the monthly dividend paying Gladstone funds, please visit www.gladstone.com.

Forward-looking Statements:

The statements in this press release regarding the results of Cavert, its management team, and expected continued yielding investments are "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. Factors that may cause the Company's actual results to differ from these forward-looking statements include, among others, the duration and potential future effects of the current economic downturn on its portfolio companies and on the senior loan market and those factors listed under the caption "Risk Factors" of the Company's Post-

Effective Amendment No. 2 to the Registration Statement on Form N-2 (No. 333-160720) as filed with the SEC on November 22, 2010. The risk factors set forth in the Form N-2 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, whether as a result of new information, future events or otherwise.

SOURCE Gladstone Investment Corporation