

GLADSTONE INVESTMENT CORPORATION\DE
Form DEFA14A
June 27, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

GLADSTONE INVESTMENT CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (2) | Aggregate number of securities to which transaction applies: |
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| (4) | Proposed maximum aggregate value of transaction: |
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- Fee paid previously with preliminary materials.
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| (1) | Amount Previously Paid: |
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| (3) | Filing Party: |
| (4) | Date Filed: |

GLADSTONE INVESTMENT CORPORATION

1521 Westbranch Drive, Suite 200, McLean, Virginia 22102

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON AUGUST 8, 2007

To The Stockholders of Gladstone Investment Corporation:

Notice Is Hereby Given that the Annual Meeting of Stockholders of Gladstone Investment Corporation, a Delaware corporation, will be held on Wednesday, August 8, 2007 at 11:00 a.m. local time at the Hilton McLean Tysons Corner at 7920 Jones Branch Drive, McLean, Virginia 22102 for the following purposes:

- (1) To elect three directors to hold office until the 2010 Annual Meeting of Stockholders.
- (2) To approve a series of amendments to our fundamental policies to repeal such policies as follows:
 - A) to repeal the policy which relates to our ability to invest in securities of a particular issuer;
 - B) to repeal the policy which relates to our underwriting activities;
 - C) to repeal the policy which relates to our ability to purchase or sell real estate or interests in real estate or real estate investment trusts;
 - D) to repeal the policy which relates to our ability to sell securities short;
 - E) to repeal the policy which relates to our ability to purchase securities on margin;
 - F) to repeal the policy which relates to our ability to write or buy put or call options;
 - G) to repeal the policy which relates to our ability to engage in the purchase or sale of commodities or commodity contracts, including futures contracts; and
 - H) to repeal the policy which relates to our ability to acquire voting stock of, or investing in, any securities issued by any other investment company.
- (3) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on Friday, June 15, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors

Terry L. Brubaker
Secretary

McLean, Virginia
June 27, 2007

All stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name.

GLADSTONE INVESTMENT CORPORATION
1521 Westbranch Drive, Suite 200, McLean, Virginia 22102

PROXY STATEMENT
FOR THE 2007 ANNUAL MEETING OF STOCKHOLDERS
To Be Held On August 8, 2007

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors of Gladstone Investment Corporation (sometimes referred to as the Company) is soliciting your proxy to vote at the 2007 Annual Meeting of Stockholders. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

We intend to mail this proxy statement and accompanying proxy card on or about June 27, 2007 to all stockholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on June 15, 2007 will be entitled to vote at the annual meeting. On this record date, there were 16,560,100 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on June 15, 2007 your shares were registered directly in your name with our transfer agent, The Bank of New York, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on June 15, 2007 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are nine matters scheduled for a vote:

- Election of three directors to serve until the 2010 Annual Meeting of Stockholders; and
- Approval of a series of amendments to our fundamental policies to repeal such policies as follows:
 - A) to repeal the policy which relates to our ability to invest in securities of a particular issuer;
 - B) to repeal the policy which relates to our underwriting activities;
 - C) to repeal the policy which relates to our ability to purchase or sell real estate or interests in real estate or real estate investment trusts;
 - D) to repeal the policy which relates to our ability to sell securities short;
 - E) to repeal the policy which relates to our ability to purchase securities on margin;
 - F) to repeal the policy which relates to our ability to write or buy put or call options;
 - G) to repeal the policy which relates to our ability to engage in the purchase or sale of commodities or commodity contracts, including futures contracts; and
 - H) to repeal the policy which relates to our ability to acquire voting stock of, or investing in, any securities issued by any other investment company.

How do I vote?

You may either vote For all the nominees to the Board of Directors or you may Withhold your vote for any nominee you specify. For each of the amendments to our fundamental policies, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Gladstone Investment Corporation. Simply complete and mail the proxy card to ensure that your vote is counted. To vote in person at the annual meeting, you must obtain a valid

proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you owned as of June 15, 2007.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of all three nominees for director and For each of the amendments to our fundamental policies. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will bear the cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of Gladstone Management Corporation or Gladstone Administration, LLC. No additional compensation will be paid to directors, officers or other regular employees for such services. We have engaged Georgeson Inc. (Georgeson) to solicit proxies for the annual meeting. Georgeson will be paid a fee of approximately \$20,000 for its basic solicitation services, which include review of proxy materials, dissemination of broker search cards, distribution of proxy materials, solicitation of ADP, brokers, banks and institutional holders, and delivery of executed proxies. The term of the agreement with Georgeson will last for the period of the solicitation, and the agreement provides that we will indemnify and hold harmless Georgeson against any third party claims, except in the case of Georgeson's gross negligence or intentional misconduct.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date.

- You may send a timely written notice that you are revoking your proxy to Gladstone Investment Corporation's Secretary at 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102.
- You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by February 28, 2008, to our Secretary at the address set forth on the cover of this proxy statement. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must do so not later than the close of business on May 9, 2008 nor earlier than the close of business on April 10, 2008. You are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by representatives of our transfer agent, The Bank of New York, who will separately count For and Withhold and, with respect to proposals other than the election of directors, Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as Against votes. Broker non-votes have no effect with regard to Proposal 1, will have the same effect as an Against vote with regard to Proposals 2A-2H, and will not be counted towards the vote total for any proposal. We expect that our chief financial officer, Harry Brill, will be appointed as the inspector of election.

What are broker non-votes?

Broker non-votes occur when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the New York Stock Exchange (NYSE), non-routine matters are generally those involving a contest or a matter that may substantially affect the rights or privileges of shareholders, such as mergers or shareholder proposals.

How many votes are needed to approve each proposal?

For Proposal 1, the election of directors, the three nominees receiving the most For votes (from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Only votes For or Withheld will affect the outcome.

For each of the amendments to our fundamental investment policies to repeal such policies included in Proposals 2A-2H, the affirmative vote of a majority, as defined in the Investment Company Act of 1940 (the 1940 Act), of our outstanding shares is required to approve the proposal. Under the 1940 Act, the vote of holders of a majority means the vote of the holders of the lesser of (a) 67% or more of our shares present at the meeting or represented by proxy if the holders of more than 50% of our outstanding shares are present or represented by proxy, or (b) more than 50% of our outstanding shares. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will also have the same effect as an Against vote.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of our outstanding shares are represented by stockholders present at the meeting or by proxy. On the record date there were 16,560,100 shares outstanding and entitled to vote. Thus 8,280,051 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2008.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes. Each class consists of, as nearly as possible, one-third of the total number of directors and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class, including any vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

Our Board of Directors presently has ten members. There are three directors in the class whose term of office expires in 2007. Each of the nominees listed below is currently a director of ours who was previously elected by the stockholders. If elected at the annual meeting, each of these nominees would serve until the 2010 annual meeting and until his successor is elected and has qualified, or, if sooner, until the director's death, resignation or removal. It is our policy to encourage directors and nominees for director to attend the annual meeting. Two of our directors attended the 2006 Annual Meeting of Stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The three nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. If any nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee proposed by our management. Each person nominated for election has agreed to serve if elected. Our management has no reason to believe that any nominee will be unable to serve.

Set forth below is biographical information for each person nominated, each person whose term of office as a director will continue after the Annual Meeting, and each executive officer who is not a director.

Nominees for Election for a Three-year Term Expiring at the 2010 Annual Meeting

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Disinterested Directors				
Paul Adelgren (64) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2007 Annual Meeting. Director since 2005.	Pastor of Missionary Alliance Church since 1997.	Gladstone Commercial Corporation; Gladstone Capital Corporation
John H. Outland (61) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2007 Annual Meeting. Director since 2005.	Private investor since 2006. Vice President of Genworth Financial, Inc. from 2004 to 2006. Managing Director of 1789 Capital Advisers, a financial consulting company, from 2002 to 2004.	Gladstone Commercial Corporation; Gladstone Capital Corporation

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Interested Director				
David Gladstone (65)* Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Chairman of the Board and Chief Executive Officer	Term expires at 2007 Annual Meeting. Director since 2005.	Founder, Chief Executive Officer and Chairman of the Board since our inception in 2005, of Gladstone Capital Corporation since its inception in 2001, and of Gladstone Commercial Corporation since its inception in 2003. Founder, Chief Executive Officer and Chairman of the Board of our Adviser.	Gladstone Commercial Corporation; Gladstone Capital Corporation

Directors Continuing in Office Until the 2008 Annual Meeting

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Disinterested Directors				
Michela A. English (57) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2008 Annual Meeting. Director since 2005.	President and CEO of Fight for Children, a non-profit charitable organization focused on providing high-quality education and health care services to underserved youth in Washington, DC. President of Discovery Consumer Products, the retail, publishing and licensing arm of Discovery Communications, Inc., the leading global real-world media and entertainment company, from 1996 to 2004.	Gladstone Commercial Corporation; Gladstone Capital Corporation
Anthony W. Parker (61) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2008 Annual Meeting. Director since 2005.	Founder and Chairman of the Board of Medical Funding Corporation, the owner of Snelling Metro Personnel, a staffing agency, since 1977.	Gladstone Commercial Corporation; Gladstone Capital Corporation
Gerard Mead (63) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2008 Annual Meeting. Director since 2005.	Chairman and founder of Gerard Mead Capital Management since 2003. Held various positions with Bethlehem Steel Corporation, including Director of Investment Research, Pension Trust Chairman and Fund Manager, from 1966 to 2003.	Gladstone Commercial Corporation; Gladstone Capital Corporation

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Interested Directors George Steljjes III (45)* Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director, President and Chief Investment Officer	Term expires at 2008 Annual Meeting. Director since 2005.	President and Chief Investment Officer of the Company since 2005, and of Gladstone Capital Corporation since 2004. Executive Vice President and Chief Investment Officer of Gladstone Capital Corporation from 2002 to 2004, and of Gladstone Commercial Corporation since 2003. President, Chief Investment Officer and a director of our Adviser. Director of Intrepid Capital Management, Inc. since 2003, and general partner and investment committee member of Patriot Capital since 2002. Co-founder and Managing Member of Camden Partners, a private equity firm from 1999 to 2002.	Gladstone Capital Corporation

Directors Continuing in Office Until the 2009 Annual Meeting

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Disinterested Directors				
David A.R. Dullum (59) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2009 Annual Meeting. Director since 2005.	President and a Director of Harbor Acquisition Corporation since 2005. Partner of New England Partners, a venture capital firm, since 1995.	Gladstone Commercial Corporation; Gladstone Capital Corporation; Harbor Acquisition Corporation
Maurice W. Coulon (65) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director	Term expires at 2009 Annual Meeting. Director since 2005.	Private investor in real estate since 2000.	Gladstone Commercial Corporation; Gladstone Capital Corporation

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director
Interested Director				
Terry Lee Brubaker (63)* Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Director, Vice Chairman, Chief Operating Officer and Secretary	Term expires at 2009 Annual Meeting. Director since 2005.	Vice Chairman and Chief Operating Officer since 2005, and of Gladstone Capital Corporation and Gladstone Commercial Corporation since 2004. President and Chief Operating Officer of Gladstone Capital Corporation from 2001 to 2004, and of Gladstone Commercial Corporation from 2003 to 2004. Vice Chairman, Chief Operating Officer and a Director of our Adviser.	Gladstone Commercial Corporation; Gladstone Capital Corporation

Executive Officers Who are Not Directors

Name, Address, Age	Position(s) Held With Company	Term of Office and Length of Term Served	Principal Occupation(s) During the Past Five Years
Harry Brill (59) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Chief Financial Officer	Executive Officer since 2005.	Chief Financial Officer since 2005, and Treasurer from 2005 to 2006. Chief Financial Officer of Gladstone Capital Corporation since 2001, and of Gladstone Commercial Corporation since 2003. Treasurer of Gladstone Capital Corporation from 2001 through 2006, and of Gladstone Commercial Corporation from 2003 through 2006. Chief Financial Officer of our Adviser.
Gary Gerson (42) Gladstone Investment Corporation 1521 Westbranch Drive, Suite 200 McLean, Virginia 22102	Treasurer	Executive Officer since 2006.	Treasurer since 2006. Treasurer of Gladstone Capital Corporation, Gladstone Commercial Corporation, and our Adviser since 2006. Assistant Vice President of Finance at the Bozzuto Group, a real estate developer, manager and owner, from 2004-2006. Director, Finance, at PG&E National Energy Group from 2000-2004.

* Messrs. Gladstone, Brubaker, and Stelljes are interested persons of Gladstone Investment Corporation, within the meaning of the 1940 Act, due to their positions as our officers.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF EACH NAMED NOMINEE FOR DIRECTOR.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**Director Independence**

As required under The Nasdaq Stock Market (NASDAQ) listing standards, a majority of the members of a listed company's Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. The Board consults with our chief compliance officer and chief financial officer to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent auditors, the Board has affirmatively determined that the following seven directors are independent directors within the meaning of the applicable NASDAQ listing standards: Messrs. Adelgren, Coulon, Dullum, Mead, Outland, Parker and Ms. English. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with us. Mr. Gladstone, the chairman of our Board of Directors and chief executive officer, Mr. Brubaker, our vice chairman, chief operating officer and secretary, and Mr. Stelljes, our president and chief investment officer, are not independent directors by virtue of their employment by our affiliate Gladstone Management Corporation, which we refer to as our Adviser.

The Board of Directors met four times during the last fiscal year. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served that were held during the period for which he or she was a director or committee member.

As required under applicable NASDAQ listing standards, which require regularly scheduled meetings of independent directors, our independent directors met four times during fiscal 2007 in regularly scheduled executive sessions at which only independent directors were present.

Information Regarding Committees of the Board of Directors

Our Board of Directors has four committees: an Audit Committee, a Compensation Committee, an Executive Committee and an Ethics, Nominating and Corporate Governance Committee. The following table shows the current composition of each of the committees of our Board of Directors:

Name	Audit	Compensation	Executive	Ethics, Nominating and Corporate Governance
Paul W. Adelgren**				*X
Terry Lee Brubaker			X	
Maurice W. Coulon		*X		X
David A.R. Dullum	X			
Michela A. English	X			
David Gladstone			*X	
Gerard Mead		X		
John H. Outland		X		
Anthony W. Parker	*X		X	
George Stelljes III				

* Committee Chairperson

** Lead Independent Director

Below is a description of each committee of our Board of Directors. All committees other than the Executive Committee have the authority to engage legal counsel or other experts or consultants, as they deem appropriate to carry out their responsibilities. The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment with regard to us (other than with respect to the Executive Committee, for which there are no applicable independence requirements).

The Audit Committee

The Audit Committee of our Board of Directors oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firms; determines and approves the engagement of the independent registered public accounting firms; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review our annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm, including reviewing our disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations. During fiscal 2007, the Audit Committee was comprised of Messrs. Parker (Chairman) and Dullum and Ms. English. Messrs. Adelgren and Coulon served as alternate members of the Audit Committee. Alternate members of the Audit Committee serve and participate in meetings of the Audit Committee only in the event of an absence of a regular member of the Audit Committee. The Audit Committee met eight times during the last fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on our website at www.gladstoneinvestment.com.

Our Board of Directors reviews the NASDAQ listing standards definition of independence for audit committee members and has determined that all members and alternate members of our Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the NASDAQ listing standards). No members of the Audit Committee received any compensation from us during the last fiscal year other than directors' fees. The Board of Directors has also determined that each member (including alternate members) of the Audit Committee qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board made a qualitative assessment of the members' level of knowledge and experience based on a number of factors, including formal education and experience. The Board has also unanimously determined that all Audit Committee members and alternate members are financially literate under current NASDAQ rules and that at least one member has financial management expertise. Messrs. Dullum and Parker and Ms. English also serve on the audit committees of Gladstone Commercial Corporation and Gladstone Capital Corporation. Our Audit Committee's alternate members, Messrs. Adelgren and Coulon, also serve as alternate members on the audit committees of Gladstone Commercial Corporation and Gladstone Capital Corporation. The Board of Directors has determined that

this simultaneous service does not impair the respective directors' ability to effectively serve on our Audit Committee.

Independent Registered Public Accounting Firm

We expect that the Audit Committee of our Board of Directors will select PricewaterhouseCoopers LLP, or PwC, as our independent registered public accounting firm to audit our financial statements for the fiscal year ending March 31, 2008 at its next meeting, which will occur prior to the annual meeting. Representatives of PwC are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Independent Registered Public Accounting Firm Fees

The following table represents aggregate fees billed to us for the fiscal years ended March 31, 2006 and March 31, 2007 by PwC, our principal independent registered public accounting firm.

	2006	2007
Audit Fees (1)	\$144,370	\$276,708
Audit-related Fees (2)	\$ 365,600	\$ 135,850
Tax Fees	\$ 3,500	\$ 5,500
All Other Fees	\$ 0	\$ 0
	\$ 513,470	\$ 418,058

(1) 2006 Audit Fees consist of \$100,000 in fees for our 2006 Audit, and \$44,370 in fees for services related to our initial public offering.

(2) Audit-related Fees consist primarily of fees for services related to due diligence engagements in connection with our proposed investments, which engagements were pre-approved by the Audit Committee.

All fees described above were approved by the Audit Committee. During the fiscal year ended March 31, 2007, the aggregate non-audit fees billed by PwC for services rendered to our Adviser and any entity controlling, controlled by or under common control with our Adviser that provides ongoing services to us was \$6,500. All of these fees were for professional services rendered to our Adviser for tax services. The Audit Committee has considered whether, and believes that, the rendering of these services to our Adviser is compatible with maintaining the independent registered public accounting firm's independence.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, PwC. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services, and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services currently being provided by PwC is compatible with maintaining the independent registered public accounting firm's independence.

Report of the Audit Committee of the Board of Directors(1)

The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended March 31, 2007.

The Audit Committee has reviewed and discussed the Company's audited financial statements with management and PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, with and without management present. The Audit Committee included in its review results of the independent registered public accounting firm's examinations, the Company's internal controls, and the quality of the Company's financial reporting. The Audit Committee also reviewed the Company's procedures and internal control processes designed to ensure full, fair and adequate financial reporting and disclosures, including procedures for certifications by the Company's chief executive officer and chief financial officer that are required in periodic reports filed by the Company with the Securities and Exchange Commission. The Audit Committee further reviewed with the independent registered public accounting firm their opinion on management's assessment of the effectiveness of the internal control over financial reporting of the Company, and their opinion on the effectiveness of the internal control over financial reporting of the Company. The Audit Committee is satisfied that the Company's internal control system is adequate and that the Company employs appropriate accounting and auditing procedures.

The Audit Committee also has discussed with PricewaterhouseCoopers LLP matters relating to the independent registered public accounting firm's judgments about the quality, as well as the acceptability, of the Company's accounting principles as applied in its financial reporting as required by Statement of Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent accountants required by the Independence Standards Board Standard No. 1, (*Independence Discussions with Audit Committees*), as adopted by the PCAOB in Rule 3600T and has discussed with the independent accountants the independent accountant's independence (Communications with Audit Committees). The Audit Committee received a letter from PricewaterhouseCoopers LLP confirming their independence and discussed it with them. The Audit Committee discussed and reviewed with PricewaterhouseCoopers LLP the Company's critical accounting policies and practices, internal controls, other material written communications to management, and the scope of PricewaterhouseCoopers LLP's audits and all fees paid to PricewaterhouseCoopers LLP during the fiscal year. The Audit Committee adopted guidelines requiring review and pre-approval by the Audit Committee of audit and non-audit services performed by PricewaterhouseCoopers LLP for the Company. The Audit Committee has reviewed and considered the compatibility of PricewaterhouseCoopers LLP's performance of non-audit services with the maintenance of PricewaterhouseCoopers' independence as the Company's independent registered public accounting firm.

(1) The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the 1933 Act or the Securities Exchange Act of 1934, as amended (the 1934 Act), whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

Based on the Audit Committee's review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Anthony W. Parker, Chairperson

Michela A. English

David A. R. Dillum

Compensation Committee

The Compensation Committee operates pursuant to a written charter that is available to stockholders on our website at www.gladstoneinvestment.com. The Compensation Committee conducts periodic reviews of our investment advisory and management agreement with our Adviser (the "Advisory Agreement") and our administration agreement (the "Administration Agreement") with Gladstone Administration, LLC (the "Administrator") to evaluate whether the fees paid to our Adviser and our Administrator under the agreements are in the best interests of us and our stockholders. The committee considers in such periodic reviews, among other things, whether the salaries and bonuses paid to our executive officers by our Adviser and our Administrator are consistent with our compensation philosophies, whether the performance of our Adviser and our Administrator are reasonable in relation to the nature and quality of services performed and whether the provisions of the Advisory and Administration Agreements are being satisfactorily performed. Commencing this year, the Compensation Committee also began to review with management our Compensation Discussion and Analysis and to consider whether to recommend that it be included in proxy statements and other filings. During the last fiscal year, the Compensation Committee was comprised of Messrs. Coulon (Chairperson), Outland and Mead. The Compensation Committee met four times during the last fiscal year.

Compensation Committee Interlocks and Insider Participation

During the last fiscal year, the Compensation Committee consisted of Messrs. Coulon, Outland and Mead, each of whom is an independent director (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). During the fiscal year ended March 31, 2007, none of our executive officers served as members of the compensation committee or as directors of another entity, one of whose executive officers served on the Compensation Committee.

Report of the Compensation Committee of the Board of Directors(2)

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (CD&A) contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

Submitted by the Compensation Committee

Maurice W. Coulon, Chairperson

John H. Outland

Gerard Mead

The Ethics, Nominating and Corporate Governance Committee

The Ethics, Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as our directors (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board for selection candidates for election to the Board of Directors, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board, and developing our corporate governance principles. Our Ethics, Nominating and Corporate Governance Committee charter can be found on our website at www.gladstoneinvestment.com. Membership of the Ethics, Nominating and Corporate Governance Committee is comprised of Messrs. Adलगren (Chairperson) and Coulon. Each member of the Ethics, Nominating and Corporate Governance Committee is independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). The Ethics, Nominating and Corporate Governance Committee met four times during the last fiscal year.

Qualifications for Director Candidates

The Ethics, Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Ethics, Nominating and Corporate Governance Committee also considers such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to our affairs, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of our stockholders. However, the Ethics, Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of our stockholders. In conducting this assessment, the Ethics, Nominating and Corporate Governance

(2) The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of our filings under the 1933 Act or the 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

Committee considers diversity, age, skills, and such other factors as it deems appropriate given our current needs and the current needs of the Board, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Ethics, Nominating and Corporate Governance Committee reviews such directors' overall service to us during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Ethics, Nominating and Corporate Governance Committee also determines whether the nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Ethics, Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Ethics, Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Ethics, Nominating and Corporate Governance Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote. To date, the Ethics, Nominating and Corporate Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

Stockholder Recommendation of Director Candidates to the Ethics, Nominating and Corporate Governance Committee

The Ethics, Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Ethics, Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not. Stockholders who wish to recommend individuals for consideration by the Ethics, Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Ethics, Nominating and Corporate Governance Committee at the address set forth on the cover page of this proxy statement. Recommendations for individuals to be considered for nomination at the 2008 Annual Meeting must be received by May 9, 2008. Recommendations received after May 9, 2008 will be considered for nomination at the 2009 Annual Meeting. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. To date, the Ethics, Nominating and Corporate Governance Committee has not received or rejected a timely director nominee proposal from a stockholder or stockholders holding more than 5% of our voting stock.

Stockholder Communications with the Board of Directors

Our Board has adopted a formal process by which our stockholders may communicate with the Board or any of its directors. Persons interested in communicating with the Board of Directors with their concerns or issues may address correspondence to the Board of Directors, to a particular director, or to the independent directors generally, in care of Gladstone Investment Corporation, Attention: Investor

Relations, at 1521 Westbranch Drive, Suite 200, McLean, Virginia 22102. This information is also contained on our website at www.gladstoneinvestment.com.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our officers and directors and to the employees of our Adviser and our Administrator. The Ethics, Nominating and Corporate Governance Committee reviews, approves and recommends to our Board of Directors any changes to the Code of Business Conduct and Ethics. They also review any violations of the Code of Ethics and make recommendations to the Board of Directors on those violations. The Code of Business Conduct and Ethics is available on our website at www.gladstoneinvestment.com. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website.

The Executive Committee

The Executive Committee, which is comprised of Messrs. Gladstone (Chairman), Brubaker and Parker, has the authority to exercise all powers of our Board of Directors except for actions that must be taken by a majority of independent directors or the full Board of Directors under applicable rules and regulations. The Executive Committee did not meet during the last fiscal year.

PROPOSALS 2A-2H: APPROVAL OF AMENDMENTS TO FUNDAMENTAL POLICIES TO REPEAL SUCH POLICIES

General Information

We have adopted certain investment objectives and restrictions as our fundamental policies (the Fundamental Policies), which provided that they could not be changed without the approval of the holders of a majority of our outstanding voting securities. The 1940 Act does not require business development companies, such as us, to adopt fundamental policies and, in fact, most other leading business development companies do not have them. A copy of our existing Fundamental Policies appears as *Exhibit A* to this Proxy Statement. We are proposing that the stockholders approve a series of amendments to the Fundamental Policies that would repeal each of them in their entirety. In their place, we will maintain a more limited set of investment policies, as set forth on *Exhibit B*, which will not be considered fundamental policies, and which will not require stockholder approval for future revisions.

Background and Reasons for Proposals

The Fundamental Policies are of essentially two types. The first type includes several affirmative guidelines, including a requirement that we at all times conduct our business so as to retain our status as a business development company. The second type of Fundamental Policy limits or prohibits us from undertaking certain activities, such as acting as an underwriter of securities, purchasing securities on margin or engaging in the purchase or sale of commodities or real estate.

The existence of the Fundamental Policies can place us at a competitive disadvantage. As noted above, most other leading business development companies do not have them. Additionally, most other

types of companies are not required to seek stockholder approval to alter their business activities; rather, the company's board of directors, which is elected by the stockholders, is entrusted with such discretion. While the Fundamental Policies can be modified, given that regular stockholder meetings occur only once per year and special stockholder meetings would be costly, the requirement that stockholders must approve changes to our Fundamental Policies could, as a result, reduce our business opportunities and increase certain investment and other business risks. In order to facilitate flexibility in our future investment activities, we now propose that all of the remaining Fundamental Policies be repealed by amendment. Such a change is intended to allow us to respond more effectively and expeditiously to opportunities and issues as they may present themselves.

It is very important to note that even following a repeal of the Fundamental Policies, numerous restrictions and limitations on our investing and business activities would continue to exist, which would provide protections and assurances for our stockholders. Most significantly, under Section 58 of the 1940 Act, we are prohibited from changing the nature of our business so that it ceases to be a business development company without consent of the holders of a majority of our outstanding shares. It is significant to note that Section 58 of the 1940 Act is titled "Changes in Investment Policy," and that its only restriction on changes in investment policy by a business development company is to prevent a business development company from ceasing to operate as a business development company without stockholder approval. This is in sharp distinction to other sections of the 1940 Act that govern the investment activities of registered investment companies. As a business development company we are not a registered investment company under the 1940 Act and thus are not subject to such other sections. Those sections specifically require registered investment companies to have fundamental policies, which can be changed only by a registered investment company's stockholders. By contrast, in adopting the business development company sections of the 1940 Act, Congress recognized the special needs of business development companies to retain significant flexibility in their investment policies in order to effectively support new small and medium-sized businesses through venture capital contributions. Thus, Congress saw fit to only require business development company stockholder consent in the case of changes in investment policy that would cause the business development company to cease to be qualified as such. Congress has never required business development companies to adopt other fundamental policies which could be changed only with stockholder consent.

The 1940 Act also contains a number of other restrictions on activities of business development companies, none of which would be affected by the repeal of our Fundamental Policies. For example, 70% of a business development company's total assets must be invested in "qualifying assets," as defined in the 1940 Act. This requirement, which is currently incorporated in the Fundamental Policies, would continue to apply even with a repeal of the Fundamental Policies because it is also set forth in the 1940 Act. Similarly, the 1940 Act limits a business development company's ability to issue senior securities, which are generally defined as debt securities and preferred stock, in an amount in excess of one-half of the business development company's total assets. This limitation, which is also included in the Fundamental Policies, will still apply to us because it is included in the 1940 Act. Other examples of restrictions outlined in the 1940 Act that would continue to apply to us, and which to some extent are also included in our Fundamental Policies, include limitations on investing in registered investment companies, investing in broker dealers and undertaking certain short sales of securities. In sum, while a repeal of the Fundamental Policies will have the benefit of providing us greater flexibility to respond to market opportunities and to

avoid risk with regard to our investing activities, there will still be numerous statutory and internal restrictions on the overall nature of our investment and business activities.

Each of the proposals which relate to a series of amendments to our fundamental policies to repeal such policies are as follows:

PROPOSAL 2A: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO INVEST IN SECURITIES OF A PARTICULAR ISSUER.

Our existing fundamental policy with regard to investments in a particular issuer provides that we may invest up to 20% of our assets in securities of a particular issuer. The policy provides that we may exceed this limitation in connection with bridge financings, although such bridge investments may never exceed 25% of our total assets at any time.

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we will be able to invest more than 20% of our assets in securities of a particular issuer, without regard to whether or not such investment is made in connection with a bridge financing. However, in order to maintain our status as a regulated investment company under Subchapter M of the Internal Revenue Code, we will still be restricted from investing more than 25% of the value of our total assets in the securities of any one issuer (other than U.S. government securities or the securities of other regulated investment companies), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses. We intend to maintain our regulated investment company status and thus would continue to be subject to this regulatory requirement regardless of whether or not this fundamental policy is repealed.

The repeal of this policy could lead to our portfolio becoming somewhat less diversified if we are able to concentrate more of our assets in the securities of a particular issuer. However, because we will continue to be limited in the concentration of our investments by our regulation as a regulated investment company, any such increase in the concentration of our investment in any particular issuer that would be allowed as a result of the repeal of this policy would be limited to no more than 5%.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2A.

PROPOSAL 2B: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR UNDERWRITING ACTIVITIES.

Our existing fundamental policy with regard to underwriting activities provides that we will not act as an underwriter of securities of other issuers (except to the extent that we may be deemed an underwriter of securities we purchase that must be registered under the Securities Act before they may be offered or sold to the public).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we will be able to act as an underwriter of securities of other issuers. However, we do not anticipate that we will do so.

In order to act as an underwriter of securities, we would be required to register as a broker/dealer with the Securities and Exchange Commission and to become a member of the NASD, which would subject us to additional regulation. Moreover, engaging in the underwriting of securities offerings would expose us to

additional risks of liabilities in connection with such activities, including under federal and state securities laws. In addition, we would continue to be limited by the restrictions imposed by Section 10(f) of the 1940 Act and the rules thereunder on the underwriting of securities by investment companies and business development companies.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2B.

PROPOSAL 2C: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO PURCHASE OR SELL REAL ESTATE OR INTERESTS IN REAL ESTATE OR REAL ESTATE INVESTMENT TRUSTS.

Our existing fundamental policy with regard to our ability to purchase or sell real estate, interests in real estate or interests in real estate investment trusts states that we will not purchase or sell real estate or interests in real estate or real estate investment trusts (except that we may: (i) purchase or sell real estate in connection with the orderly liquidation of investments; (ii) own the securities of companies or participate in a partnership or partnerships that are in the business of buying, selling or developing real estate; or (iii) finance the purchase of real estate by our portfolio companies).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we will be able to purchase or sell real estate, interests in real estate or interests in real estate investment trusts. Depending on the type and use of any real estate we purchase, such purchase could expose us to certain risks attendant to real estate ownership including risks related to the economic climate of the location of the real estate, the risk that tenants of the real estate will not be able to make payments, exposure to environmental liability, and risks of liability for uninsured losses in the event of certain natural disasters. Particular types of real estate, or particular types of tenants, may expose us to additional risks. These risks may also apply to any purchase of real estate investment trust interests.

Our ability to purchase real estate, interests in real estate or real estate investment trust interests will be limited by our regulation as a regulated investment company under Subchapter M of the Internal Revenue Code. We intend to maintain this status, and in order to do so must comply with certain income source regulations which provide that 90% of our gross income for each taxable year must be from dividends, interest, payments with respect to securities loans, and gains from sales or other dispositions of securities or other income derived with respect to our business of investing in securities. While investments in real estate investment trusts may produce qualifying income for this purpose, generally investments in real estate will not. Thus, any purchases of real estate would be limited in the future to those that would not threaten noncompliance with these income source requirements under Subchapter M. In addition, our investments in real estate would be limited by Section 55 of the 1940 Act, which requires us to invest at least 70% of the value of our total assets in certain securities and other investments that generally do not include real estate.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2C.

PROPOSAL 2D: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO SELL SECURITIES SHORT.

Our existing fundamental policy with regard to our ability to sell securities short provides that we will not sell securities short (except with regard to managing the risks associated with publicly-traded securities issued by our portfolio companies).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we may sell securities short without regard to whether such sales are related to managing the risks associated with publicly-traded securities issued by our portfolio companies. Although we do not currently intend to sell securities short other than with regard to managing risks of publicly-traded portfolio securities, if we were to do so, such short sales could expose us to risks associated with fluctuations in the trading prices of securities. In addition, the risk of loss in short sales is potentially unlimited.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2D.

PROPOSAL 2E: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO PURCHASE SECURITIES ON MARGIN.

Our existing fundamental policy with regard to purchasing securities on margin provides that we will not purchase securities on margin (except to the extent that we may purchase securities with borrowed money).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we may purchase securities on margin, although we do not currently intend to do so. Purchasing securities on margin would increase our exposure to fluctuations in the value of such securities as a result of our leveraged position. Our ability to engage in margin transactions would be limited by the asset coverage requirements of Section 61 of the 1940 Act.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2E.

PROPOSAL 2F: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO WRITE OR BUY PUT OR CALL OPTIONS.

Our existing fundamental policy with regard to our ability to write or buy put or call options provides that we will not write or buy put or call options (except (i) to the extent of warrants or conversion privileges in connection with our acquisition financing or other investments and rights to require the issuers of such investments or their affiliates to repurchase them under certain circumstances, (ii) with regard to managing risks associated with publicly-traded securities issued by our portfolio companies, or (iii) with regard to managing the risks associated with interest rate fluctuations).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we may write or buy put or call options without any of the limitations described in our existing policy. Although we do not currently intend to write or buy put or call options under such circumstances, if we were to do so, this would expose the company to potentially magnified risks of stock fluctuations if they are done speculatively (i.e., not covered positions).

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2F.

PROPOSAL 2G: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO ENGAGE IN THE PURCHASE OR SALE OF COMMODITIES OR COMMODITY CONTRACTS, INCLUDING FUTURES CONTRACTS.

Our existing fundamental policy with regard to the purchase or sale of commodities or commodity contracts, including futures contracts, provides that we will not engage in the purchase or sale of commodities or commodity contracts, including futures contracts (except where necessary in working out distressed loan or investment situations or in managing the risks associated with interest rate fluctuations).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, we may purchase or sell commodities or commodity contracts without any of the limitations described in our existing policy. We do not anticipate that we will engage in the purchase or sale of commodities or commodity contracts in the future. If we did engage in such purchases or sales, we would be exposed to certain risks associated with the commodities market to which we are not currently exposed, such as significant price fluctuations. Our investments in commodities or commodity contracts would be limited by Section 55 of the 1940 Act, which requires us to invest at least 70% of the value of our total assets in certain securities and other investments that generally do not include commodities or commodity contracts.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2G.

PROPOSAL 2H: APPROVAL OF AMENDMENT TO FUNDAMENTAL POLICIES TO REPEAL POLICY WHICH RELATES TO OUR ABILITY TO ACQUIRE VOTING STOCK OF, OR INVESTING IN, ANY SECURITIES ISSUED BY ANY OTHER INVESTMENT COMPANY.

Our existing policy with regard to acquiring voting stock of, or investing in, any securities issued by any other investment company provides that we will not acquire more than 3% of the voting stock of, or invest more than 5% of our total assets in, any securities issued by any other investment company (except as they may be acquired as part of a merger, consolidation or acquisition of assets).

We are asking our stockholders to approve the repeal of this policy. If this policy is repealed, it simply would no longer be one of our fundamental policies. However, under Section 12(d)(1) of the 1940 Act, these restrictions would continue to apply. We would also still be limited by the 1940 Act to investing no more than 10% of the value of our total assets in such stock or other securities of other investment companies and no more than 30% of our assets in assets other than those listed in Section 55(a) of the 1940 Act, which we refer to as Qualifying Assets. Generally, our regulation as a business development company under the 1940 Act requires that at least 70% of our assets be invested in Qualifying Assets, which include: (i) the securities of eligible portfolio companies, the definition of which excludes investment companies (other than a small business investment companies wholly owned by us), or (ii) cash, cash items, government securities or high quality debt securities maturing in one year or less from the time of investment.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2H.

Conclusion and Recommendation; Vote Required

Under the 1940 Act, approval of an amendment to any of the Fundamental Policies requires an affirmative vote of a majority of all of our outstanding voting securities, regardless of whether the holders of such shares are present and entitled to vote at the Annual Meeting. The affirmative vote of a majority, as defined in the 1940 Act, of our outstanding shares is required to approve each of Proposals 2A-2H. Under the 1940 Act, the vote of holders of a majority means the vote of the holders of the lesser of (a) 67% or more of our outstanding shares present at the meeting or represented by proxy if the holders of more than 50% of our outstanding shares are present or represented by proxy, or (b) more than 50% of our outstanding shares. THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** APPROVAL OF EACH OF THE AMENDMENTS TO THE FUNDAMENTAL POLICIES TO REPEAL SUCH POLICIES AS DESCRIBED IN PROPOSALS 2A-2H.

25

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of our common stock as of June 15, 2007 by: (i) each director and nominee for director; (ii) each of our executive officers; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock. Except as otherwise noted, the address of the individuals below is c/o Gladstone Investment Corporation, 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

Name and Address	Beneficial Ownership(1)		Dollar Range of Equity Securities of the Company Owned by Directors (2)		Aggregate Dollar Range of Equity Securities of all Funds Overseen by Directors in Family of Investment Companies (2)(3)
	Number of Shares	Percent of Total			
Executive Officers and Directors:					
David Gladstone	114,640	*	Over \$100,000		Over \$100,000
Terry Lee Brubaker(4)	10,651	*	Over \$100,000		Over \$100,000
George Stelljes III	10,446	*	Over \$100,000		Over \$100,000
Harry T. Brill, Jr.	806	*	\$10,001	\$50,000	Over \$100,000
Gary Gerson(5)	434	*	\$1,000	\$10,000	\$10,001 \$50,000
Anthony W. Parker	3,839	*	\$50,001	\$100,000	Over \$100,000
David A.R. Dullum(6)	8,000	*	Over \$100,000		Over \$100,000
Michela A. English	1,000	*	\$10,001	\$50,000	Over \$100,000
Paul Adelgren	1,005	*	\$10,001	\$50,000	\$ 50,001 \$100,000
Maurice Coulon	0	*	None		\$10,001 \$50,000