

#### MARKET STATISTICS

Exchange / Symbol	NASDAQ:GAIN
Price:	\$9.21
Market Cap (mm):	\$278.79
Enterprise Value (mm):	\$461.69
Shares Outstanding (mm):	30.27
Insider Ownership (%):	7.5%
Volume (3 month avg):	133,100
52 week Range:	\$6.52 - \$9.36
Industry:	Asset Management

#### CONDENSED ASSETS/LIABILITIES

(\$mm, except per sh data)	12/31/2016
Cash & Cash Equivalent:	\$5.04
Cash/Share:	\$0.17
Portfolio at FV:	\$471.44
Debt + Preferred:	\$187.95
Net Assets:	\$297.38
Net Assets/Share:	\$9.82

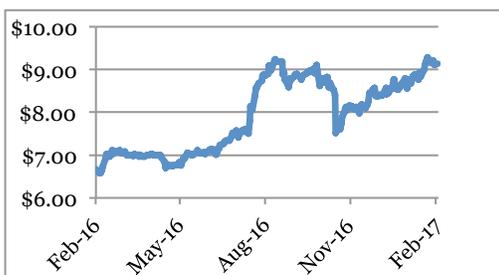
#### CONDENSED STMT. OF OPERATIONS

(\$mm, except per sh data)				
FY - 03/31	Total Inv. Inc.	NII	Dist./Sh	NII/Sh
FY15	\$41.64	\$19.90	\$0.72	\$0.75
FY16	\$50.96	\$20.72	\$0.75	\$0.68
Fy17E	\$52.94	\$22.63	\$0.75	\$0.75

#### LARGEST SHAREHOLDERS

Advisors Asset Management	740,998
David Gladstone	616,973
UBS Securities LLC	612,312
LSV Asset Management	471,516
Caisse de depot et placement du Quebec	415,874
Morgan Stanley	345,666
Securities America Advisors, Inc.	313,208
Davenport & Company LLC	309,676
British Columbia Investment Mgmt. Corp.	265,386

#### STOCK CHART



#### COMPANY DESCRIPTION

Gladstone Investment Corporation (NASDAQ: GAIN) is a closed-end business development company that invests in small- to middle-market companies, typically through buyouts. In addition to providing debt capital for buyout transactions, its stake in portfolio companies also includes equity components involving sizeable, or even controlling, positions. This structure provides potential capital gains to stockholders from the sale of appreciated equity securities, in addition to a steady stream of monthly distributions from secured debt. Gladstone Investment Corporation is based in McLean, Virginia, and is externally managed by Gladstone Management Corporation, with administrative services provided by Gladstone Administration, LLC.

#### SUMMARY

Gladstone Investment Corporation has exhibited consistent portfolio and dividend growth by maintaining a disciplined investment strategy and active portfolio management.

- Gladstone's business model involves buyouts of small- to mid-sized U.S. companies with annual EBITDAs of \$3 million to \$15 million, with positive cash flows, competitive positions in their industries, asset liquidation values equal to their debts, and led by experienced management teams with proven successful track records. GAIN typically will invest up to \$30 million in each company within its portfolio.
- The Company differs from credit-oriented BDCs by not only making a debt investment but by taking a significant equity position in the target companies as well. The typical deal is funded with GAIN's investment being 75% debt and 25% equity. GAIN's secured debt investments are primarily first lien loans carrying a cash yield that is usually in the mid-teens. Thus, investors in GAIN benefit not only from the income stream associated with the secured debt, but also from the capital gains realized over time when a portfolio company is sold.
- The Company's diverse portfolio consists of 36 companies involved in 18 different industries that are strategically located throughout the U.S. in 18 states. The investment portfolio has grown substantially over the last five years, increasing in value from approximately \$226M to approximately \$500M. The Company holds its investments for an average of seven years and exits typically through recapitalization, sale of business, or IPO.
- GAIN has never missed a distribution to common stockholders since its inception in 2005, paying 139 consecutive monthly distributions to date through 2/6/17. During the last 5 years, GAIN increased distributions to common stockholders by more than 29 percent, with the most recent distribution rate at \$0.75 per common share. Total distribution coverage (accumulated and current year NII) was 232% for the quarter ended 12/31/16.
- The Gladstone Companies' founder and CEO David Gladstone, GAIN's President David Dullum, and COO Terry Brubaker have extensive backgrounds in operating and investing in mid-sized companies. This executive management team, which has worked together for more than 15 years, has demonstrated success in understanding and expanding businesses and customizing financing solutions in multiple market cycles.
- GAIN most recently reported 12/31/16 results with a NAV reported at \$9.82 per share; total investment income for the second quarter was \$13.4M, with total expenses of \$8.2M, resulting in net investment income of approximately \$5.2M. Availability under GAIN's credit facility was \$121.3M as of 12/31/16. During the quarter, the Company successfully exited its investment in Behrens Manufacturing, LLC for \$8.8M with a 3x return upon closing; subsequent to quarter-end, the buyout of J.R. Hobbs Co. was announced.
- Applying a price/NAV range of 1.0x – 1.4x results in a trading range of approximately \$9.82 - \$13.75 for GAIN, and given the Company's growth potential, we believe that the stock could trade in the upper end of this range. See page 7 for further details.

## BUSINESS OVERVIEW

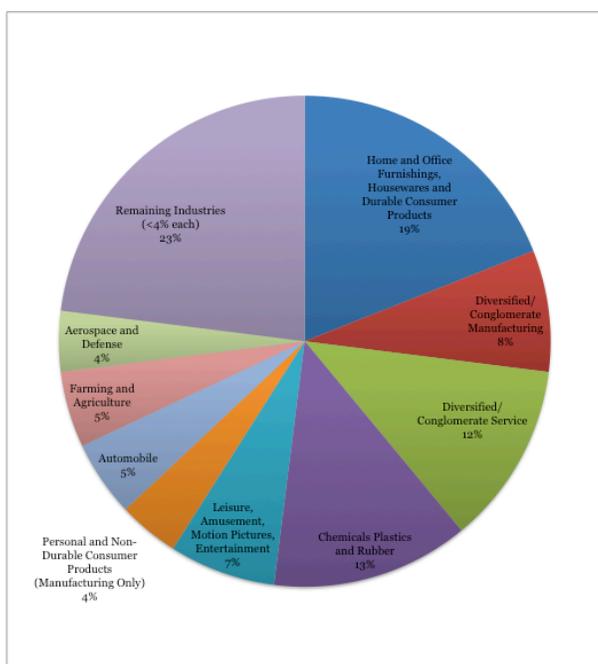
Gladstone Investment Corporation commenced operations and completed its IPO in June 2005. The Company makes debt and equity investments, generally consisting of first lien subordinated loans, mezzanine debt, preferred equity, and common stock to buy out or recapitalize small- to mid-sized private companies throughout the U.S. GAIN typically looks for companies with established operations and proven cash flows, with the goal of generating current income to pay monthly dividends to stockholders and achieving capital gains from the sale of appreciated equity securities. Gladstone Investment pays monthly dividends through four investment vehicles—its common stock trades on NASDAQ under the symbol GAIN, and its preferred stocks trade under the symbols GAINP, GAINO and GAINM.

## INVESTMENT PORTFOLIO

GAIN's portfolio currently consists of 36 companies across 18 states that participate in 18 industries. The typical annual EBITDA of these companies is in the range of \$3 million to \$15 million, and GAIN invests up to \$30 million in each company.

The portfolio includes light and specialty manufacturing, specialty consumer products and services, and industrial products and services; however, absent from the GAIN portfolio are start-ups, companies that compete in the technology and financial services sectors, and volatile/cyclical industries. GAIN also typically avoids turnaround scenarios. The Company invests in businesses that are considered market leaders in stable industries, with a history of profitability and a solid management team with consistent, proven results across a variety of economic cycles.

Exhibit 1: Gladstone's Diverse Investment Base



Source: Company Reports; Stonegate Capital Partners

Gladstone's investment portfolio has shown impressive growth over the last five years, increasing in value by approximately \$262 million (FY 2012 – FY 2016). During this period, GAIN has increased distributions to common stockholders by more than 29 percent. To date, GAIN has paid 139 consecutive monthly distributions, with the most recent distribution rate at \$0.75 per common share, in addition to special distributions in prior years.

Exhibit 2: Investment Portfolio Shows Consistent Growth Over 5 Years



Source: Company Reports; Stonegate Capital Partners

## INVESTMENT STRATEGY

Simply put, GAIN's investment strategy can be summarized as:

- Lend to and invest in companies with proven cash flows and successful track records led by experienced managers
- Generate current income to pay monthly dividends to stockholders
- Achieve capital gains from the sale of appreciated equity securities

Specific elements of the strategy include:

**Disciplined due diligence** - Gladstone utilizes a disciplined due diligence process developed over years of experience in the industry to analyze potential additions to its investment portfolio. The multi-level approach includes management interviews and assessments, onsite visits to the business, as well as analysis of financial statements, capital structures, and industry fundamentals.

**Small and middle market companies** - The Company generally targets companies in the middle market for a number of reasons. Small- to middle-market companies often offer more compelling investment profiles because they typically have lower debt multiples, more protective covenants for lenders, substantial equity co-investment by management, and the opportunity for multiple expansion upon exiting.

**Experienced management** - Transactions often involve a company being sold by its owners with the management team staying on with the company. GAIN requires that the businesses have an experienced management team, with incentives to encourage management to align with the interest of investors, including having a substantial equity stake in the financial performance of their companies. Gladstone stays actively involved with the operations of its investments, and always takes a seat on the Board of Directors.

**Value-and-income orientation and positive cash flow** - Some key financial indicators the Company seeks when evaluating investments are relatively stable or growing sales, positive cash flows and EBITDA to fixed charges coverage, which provides a degree of assurance that the Company will be able to service its debt. GAIN places an emphasis on established companies and avoids speculative businesses.

**Strong competitive position in an industry** - The companies that GAIN adds to its portfolio have strong market holds in terms of having competitive advantages relative to their peers, with a significant market share in their industries, which places the companies in positions for growth.

**Liquidation value of assets** - As a part of its investment analysis, GAIN takes into account the liquidation value of each company's assets for collateralizing its debt securities and adopting flexible transaction structures.

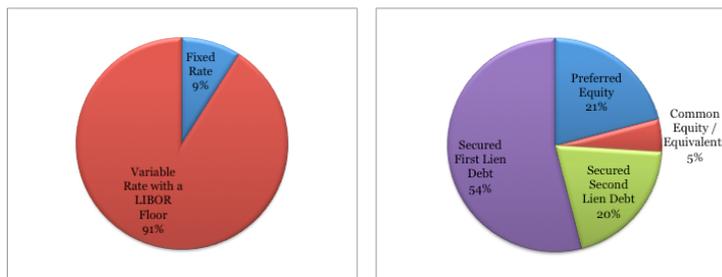
## INVESTMENT STRUCTURE

GAIN targets an investment allocation of approximately 75 percent in debt in the form of senior term loans, senior subordinated loans and junior subordinated debt securities, and approximately 25 percent in equity securities. GAIN's current allocation is approximately \$347 million in debt securities, and about \$125 million in equity securities, translating to roughly a 74 percent to 26 percent debt to equity allocation.

Generally, the Company's investments in debt securities have a term of five years and accrue interest at variable rates based on one-month LIBOR, and to a lesser extent, fixed rates over LIBOR with a floor. Currently, with 91 percent of its debt based on variable rates with a floor, the Company is well positioned against the threat of rising interest rates. GAIN's loans are secured, with a first lien priority for approximately 73 percent of the loans, and the remaining 27 percent with a second lien priority.

As of December 31, 2016, the Company had \$121.3M in borrowing capacity remaining under its current \$165M credit facility. The credit facility borrowings currently bear interest at LIBOR + 3.15% per annum, and there is a 0.50% fee on undrawn amounts.

Exhibit 3: Investment Structure



Source: Company Reports; Stonegate Capital Partners

GAIN's investments in equity securities generally are in the form of common stock or preferred stock. Exhibit 4 illustrates the benefits of GAIN's business model, which involves improving the operations and enhancing the value of the businesses in its portfolio. There have been nine exits since the Company's inception, providing approximately \$95 million in net realized gains and \$20 million in other income, equating to \$115 million in realized value as of 12/31/16.

Exhibit 4: Portfolio Companies Sold

Company	Date of Exit	Description of Business	Equity Cost Basis	Proceeds on Equity <sup>(1)</sup>	Return on Exit <sup>(1)</sup>
Behrens	Dec-16	Metal Containers	\$2.9M	\$8.8M	3.0x
Acme	Apr-16	Cryogenic Equipment	\$9.2M	\$30.8M	3.4x
Funko	Oct-15	Pop-Culture Collectibles	\$1.3M	\$19.7M	15.1x
Cavert Wire	Dec-13	Bailing Wire	\$4.2M	\$11.9M	2.8x
Venyu	Aug-13	Data Backup & Hosting	\$6.0M	\$32.1M	5.4x
Chase Doors	Dec-10	Industrial Doors	\$7.0M	\$17.3M	2.5x
A. Stucki	Jun-10	Railroad Parts	\$4.5M	\$22.2M	4.9x
Others	Various	Various	\$2.6M	\$1.2M	0.5x
Total / Weighted Average			\$37.7M	\$144.0M	3.8x

(1) Proceeds on equity investment only

Source: Company Reports; Stonegate Capital Partners

## COMPETITIVE ADVANTAGES

Gladstone Investment competes with other BDCs, as well as private equity, venture capital, buyout funds, investment banks and other financing sources, to make investments in small- and mid-sized companies. Many of the competing entities do not have the restrictions that are imposed on BDCs, and many have higher risk tolerance; however, GAIN offers some distinct advantages when competing for new buyouts, with one of the most significant factors being the certainty of closing it brings by providing both the debt and equity components of deals.

**Being a part of a larger group provides synergies** - GAIN is part of the Gladstone Companies, with more than \$2.0 billion in assets. In addition to Gladstone Investment Corporation, the group includes: Gladstone Capital Corporation (NASDAQ:GLAD) a BDC debt fund, Gladstone Land Corp. (NASDAQ:LAND), a REIT that invests in farmland, and Gladstone Commercial Corporation (NASDAQ:GOOD), a REIT that invests in industrial, office and certain retail properties.

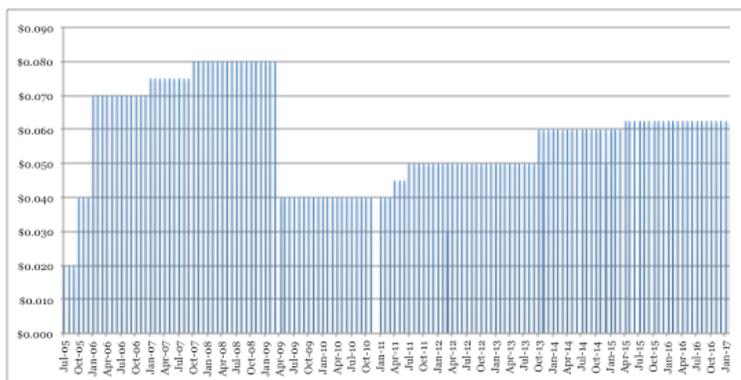
Being a part of the Gladstone group of companies provides valuable synergies, such as access to resources and expertise of more than 60 professionals with extensive experience in the managerial, transactional and financial aspects of investing in and operating companies across a broad spectrum of markets. In addition, as an affiliate of the Gladstone group of companies, GAIN has access to a network of contacts in investment and banking communities, as well as the accounting and legal community.

**GAIN benefits from more flexibility through the structure of its transactions** - By providing the equity and most of the debt, GAIN has flexibility in structuring the parameters of the debt—the term and the rate—as well as the long-term financial structure of the firm.

Private equity and venture capital funds generally provide investors capital at the onset of the transaction, and then have a fixed period for the return of the invested funds plus gains to investors. This requirement sometimes forces the funds to pursue ROI through mergers or public offerings that may actually have a negative effect on their portfolio companies. In contrast, with no fixed capital return requirements, GAIN is able to take a longer view of investments with the potential of achieving larger long-term returns on capital. These factors boost GAIN's favorability among independent sponsors and management-led buyouts as a preferred partner.

**Investors place value in the Company's historically consistent dividends** - GAIN has never missed a monthly distribution since its inception in 2005. As mentioned, the Company has increased its regular distributions to common stockholders by over 29% over the last five years. More recently, the common stock has paid \$.0625 per month since April 2015. To fund both regular as well as special distributions, GAIN accesses not only current period available income but also "spillover" from previous periods (undistributed NII from PY); both gains from sales and operational income help cover the paid dividends.

*Exhibit 5: Monthly Distributions Since 2005*



Source: Company Reports; Stonegate Capital Partners

## INDUSTRY

Small and medium businesses, with fewer than 500 employees, generate a full 50% of U.S. gross domestic product; however, they are missing from most investor portfolios. BDCs provide the opportunity to tap into that investment opportunity, and these yield-oriented instruments have become an increasingly important source of capital to American businesses. BDCs maintain a financial structure that represents a portfolio of loans, similar to private equity or venture capital, which can be traded publicly, subject to fees and expenses.

The BDC sector is a fast evolving participant of the financial marketplace. Today there are currently over 80 active BDCs in the U.S., the majority of which are publicly traded, and these entities comprise an approximate \$70 billion industry that is growing rapidly. Since Congress opened the door to BDCs in 1980, trends within the banking industry have fueled their growth. The commercial banking industry has been consolidating over the last two decades, and as banks have grown in size, they have moved away from lending to middle-market businesses and noninvestment grade loans. At the same time, several Congressional bills, including Dodd-Frank, have restricted banks' ability to lend. In response to these banking industry dynamics, BDCs have been in the position to provide needed capital to smaller private companies.

*Exhibit 6: Comparative Index Performances (%)*

Indices	Dec-16	2016
BDC Index <sup>(1)</sup>	2.83	24.82
US High Yield Bonds	1.85	17.14
US Leveraged Loans	1.16	10.16
US Inv. Grade Fixed Income	0.14	2.64

(1) Cliffwater Index

Source: BDCs.com

The relatively high interest rates on loans that BDCs make, combined with their requirement to distribute at least 90% of their taxable income in order to be exempt from taxation on the corporate level, give these instruments the capability of delivering higher rewards, compared with other investments (as illustrated in Exhibit 6). Continuing the trend of the past several months, BDCs had a strong December, significantly outperforming other bond indices with a 2.83 percent total return for the month, and a YTD return of 24.82 percent.

With such high returns, BDCs are quite appealing in today's low-interest-rate environment. Importantly, with the majority of a BDC's investments in floating rate loans largely funded with fixed-rate term debt, the sector is better positioned for interest rate increases than most fixed income products.

## RISKS

**Leverage** - BDCs are subject to many of the same risks as publicly listed stocks, but they may also present additional risks. GAIN, like all BDCs, utilizes leverage in financing activities but is limited to a maximum 1:1 debt to equity ratio.

**Liquidity** - As a publicly traded BDC, GAIN offers the liquidity similar to that of publicly traded stocks. The Company generally invests in privately held companies, which by nature themselves lack liquidity. GAIN does strategize on timing its exit when a portfolio company is no longer a good fit (on average one company per year), including an initial public offering or sale of the company to a strategic buyer.

**Interest rates** - GAIN seeks to borrow at low rates (currently its line is at LIBOR + 3.15%) and lend at variable rates, typically with a floor, to create a spread. If interest rates go up, and as a larger portion of its portfolio companies' revenue must go toward debt service payments, these companies may struggle with debt service. However, as the provider of both the debt and equity components (common and preferred stock) of its deals, GAIN does have certain flexibility in addressing these issues.

**Small- to medium-sized companies** - The companies in which GAIN invests are small to medium in size, with fewer resources than larger companies. Consequently, they may be more vulnerable to economic downturns, which could adversely affect their ability to repay their loans.

Additional risks of investing in small- to medium-sized companies include:

- They may be more vulnerable to competition from larger companies in their industries.
- In the due diligence process, there is very limited or no publicly available operating and financial information concerning the businesses; however, in order to uncover all pertinent and material information and mitigate this risk, GAIN's team does attempt to verify each company's quality of earnings and may even request a full audit.
- They tend to have less predictable operating results.
- They often are heavily reliant on one or two members of the management team, and loss of these key executives could adversely impact their businesses.

**INCOME STATEMENT**

Gladstone Investment Corporation (NASDAQ: GAIN)  
 Consolidated Statements of Operations (in thousands \$, except per share amounts)  
 Fiscal Year: March

	FY 2015	FY 2016	FY 2017 E
<b>INVESTMENT INCOME</b>			
<b>Interest income</b>			
Non-control/Non-affiliate investments	\$ 17,541	\$ 16,604	\$ 17,696
Affiliate investments	16,844	28,071	28,451
Control investments	2,296	1,720	827
Cash and cash equivalents	4	2	1
<b>Total interest income</b>	<b>36,685</b>	<b>46,397</b>	<b>46,975</b>
<b>Other income</b>			
Non-Control/Non-affiliate investments	4,424	3,720	362
Affiliate investments	534	838	5,604
Control investments	-	-	-
<b>Total other income</b>	<b>4,958</b>	<b>4,558</b>	<b>5,966</b>
<b>TOTAL INVESTMENT INCOME</b>	<b>41,643</b>	<b>50,955</b>	<b>52,941</b>
<b>EXPENSES</b>			
Base management fee	7,569	9,925	10,089
Loan servicing fee	4,994	6,697	6,781
Incentive fee	4,975	5,179	4,827
Administration fee	932	1,190	1,125
Interest expense on borrowings	3,539	4,154	3,799
Dividends on mandatorily redeemable preferred stock	3,921	7,963	8,581
Amortization of deferred financing costs and discounts	1,329	1,908	1,988
Professional fees	908	1,192	728
Other general and administrative expenses	1,421	1,854	2,462
<b>Expenses before credits from Advisor</b>	<b>29,588</b>	<b>40,062</b>	<b>40,380</b>
Credit to fees	(7,842)	(9,823)	(10,067)
<b>Total expenses, net of credits to fees</b>	<b>21,746</b>	<b>30,239</b>	<b>30,313</b>
<b>NET INVESTMENT INCOME (NII)</b>	<b>19,897</b>	<b>20,716</b>	<b>22,628</b>
Net realized gain (loss):			
Non-control/Non-affiliate investments	-	17,038	1,086
Affiliate investments	-	(11,424)	14,401
Control investments	(73)	(10,213)	(3)
Other	-	-	(254)
<b>Total net realized gain</b>	<b>(73)</b>	<b>(4,599)</b>	<b>15,230</b>
Total net unrealized appreciation (depreciation):			
Non-control/Non-affiliate investments	37,047	(22,599)	5,986
Affiliate investments	(4,233)	31,446	(12,270)
Control investments	(2,874)	(110)	9,238
Other	450	-	75
<b>Net unrealized appreciation (loss)</b>	<b>30,390</b>	<b>8,737</b>	<b>3,029</b>
<b>NET REALIZED AND UNREALIZED GAINS/LOSSES</b>	<b>30,317</b>	<b>4,138</b>	<b>18,259</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS-OPERATIONS</b>	<b>50,214</b>	<b>24,854</b>	<b>40,887</b>
<b>Net investment income (loss) per share</b>	<b>\$ 0.75</b>	<b>\$ 0.68</b>	<b>\$ 0.75</b>
<b>Distributions</b>	<b>0.72</b>	<b>\$ 0.75</b>	<b>\$ 0.75</b>
<b>Net increase in net assets resulting from operations per share</b>	<b>\$ 1.88</b>	<b>\$ 0.82</b>	<b>\$ 1.35</b>
Basic weighted average shares outstanding	26,665,821	30,268,253	30,270,958
Diluted weighted average shares outstanding	26,665,821	30,268,253	30,270,958

Source: Company Reports, Stonegate Capital Partners estimates

## VALUATION

In looking for comparables to gauge an investment in GAIN vs. other BDC options, we note that GAIN, employs a fairly unique approach to the funding of its deals; as opposed to credit-oriented BDCs, the Company utilizes approximately 75% secured debt and 25% equity for its transactions. This not only offers a continuous revenue stream with which to fund dividends (NII currently covering dividend), but the opportunity for capital gains is created with this structure. Capital gains can be distributed in the form of special distributions upon the sale of a business.

To minimize risk and maximize returns, through its acquisitions, management seeks out strong performing companies with continued opportunity for growth. Its portfolio is comprised of businesses that are geographically diverse across several industries. And certain industries are avoided in the process, such as energy, technology, financial services, start-ups, and those in volatile cyclical industries. The portfolio is actively managed for capital recycling opportunities, when they present themselves. The previous quarter was a good example of this process, with the sale of Acme and the purchase of The Mountain. Also, in structuring its deals, the Company has positioned itself well for potential interest rate hikes, with over 90% of its loans having variable rates with a minimum or floor. The annualized weighted average yield on its interest-bearing investments for the 12/31/16 quarter was 12.7%, showing that the team is capable of negotiating healthy returns in the deals that it considers. And as of December 31, 2016, the Company had \$121.3M in borrowing capacity remaining under its current \$165M credit facility.

As an externally managed BDC, which is the case with the majority of publicly traded BDCs, we believe it is important recognize the benefits of the significant resources provided by Gladstone Management Corporation, and certain administrative services provided by Gladstone Administration, LLC. With Gladstone Management, GAIN has access to a dedicated deal team that is constantly working the pipeline, negotiating, and performing due diligence on its behalf. Notably, GAIN's SG&A margin is below the average of selected peers as demonstrated in the comparable analysis below.

Through its dynamic growth strategy, GAIN has successfully made 139 sequential cash distributions to its common shareholders to date in addition to some special distributions. The population of comparable BDCs listed below currently trades at a price/NAV range of 0.6x – 1.7x, with an average of 1.1x. Taking the middle of the range of 1.0x – 1.4x and applying to GAIN results in a range of approximately \$9.82 – \$13.75. We believe that given GAIN's growth potential as it continues to actively manage its portfolio and execute its buyout approach, the stock could see the upper end of that trading range.

### Exhibit 7: Comparable Analysis

Name	Ticker	Price	Sh	Mrkt Cap	Most Recent Quarter						
					Debt/Cap	ROE	SG&A Margin	Dividend	NII/Share	Div Yield	Price/NAV
Ares Capital Corp.	ARCC	\$17.70	426.0	\$7,540.2	42.9%	9.2%	30.7%	\$0.38	\$0.43	8.6%	1.1X
Blackrock Capital Investment Corp.	BKCC	\$7.76	72.7	\$564.2	34.6%	-24.6%	26.6%	\$0.21	(\$0.03)	10.8%	0.9X
Fidus Investment Corp.	FDUS	\$16.67	22.0	\$366.7	41.2%	11.5%	34.8%	\$0.39	\$0.35	9.4%	1.1X
Fifth Street Finance Corp.	FSC	\$4.60	141.0	\$648.6	51.0%	-27.3%	30.5%	\$0.18	\$0.16	10.1%	0.6X
Golub Capital BDC, Inc.	GBDC	\$18.75	55.2	\$1,035.0	50.4%	8.7%	27.4%	\$0.32	\$0.31	6.8%	1.2X
Main Street Capital Corp.	MAIN	\$37.47	53.0	\$1,985.9	41.4%	15.4%	11.4%	\$0.54	\$0.58	7.4%	1.7X
Medley Capital Corp.	MCC	\$7.78	54.5	\$424.0	49.8%	4.9%	30.2%	\$0.22	\$0.19	11.3%	0.8X
Monroe Capital Corp.	MRCC	\$15.98	16.6	\$264.9	37.3%	6.8%	33.1%	\$0.35	\$0.36	8.8%	1.1X
PennantPark Investment Corp.	PNNT	\$8.56	71.1	\$608.6	50.2%	14.9%	30.3%	\$0.28	\$0.21	13.1%	0.9X
Saratoga Investment Corp.	SAR	\$23.27	5.7	\$133.6	57.1%	4.9%	31.4%	\$0.45	\$0.60	8.6%	1.1X
Stellus Capital Investment Corp.	SCM	\$14.19	12.5	\$177.1	53.4%	23.8%	34.9%	\$0.34	\$0.37	9.6%	1.0X
Triangle Capital Corp.	TCAP	\$19.95	40.4	\$806.0	44.6%	5.6%	17.6%	\$0.45	\$0.42	9.0%	1.3X
TCP Capital Corp.	TCPC	\$17.00	53.0	\$901.0	44.5%	13.5%	17.2%	\$0.36	\$0.49	8.5%	1.1X
<b>Average</b>					46.0%	5.2%	27.4%	\$0.34	\$0.34	9.4%	1.1X
<b>Median</b>					44.6%	8.7%	30.3%	\$0.35	\$0.36	9.0%	1.1X
<b>Gladstone Investment Corp.</b>	<b>GAIN</b>	<b>\$9.21</b>	<b>30.3</b>	<b>\$278.8</b>	<b>38.2%</b>	<b>14.9%</b>	<b>34.0%</b>	<b>\$0.19</b>	<b>\$0.17</b>	<b>8.3%</b>	<b>0.9X</b>

Source: Company Reports, Stonegate Capital Partners, Capital IQ

## CORPORATE TIMELINE

**February 2017** – Subsequent to quarter-end, GAIN announced partnering with management in the buyout of J.R. Hobbs Co., providing equity and senior secured debt to complete the transaction

**September 2016** - GAIN announced conditional redemption of all 1.6M shares of its 7.125% Series A cumulative term preferred stock; the Company also closed on an offering of 2m shares of its new 6.25% Series D term preferred shares for net proceeds of \$55.4M

**May 2015** - Announced sale of 1,400,000 shares of 6.50% Series C cumulative term preferred stock due 2022 at a price of \$25.00 per share and option to purchase an additional 210,000 shares to cover over-allotments for gross proceeds of approximately \$40.3 million and net proceeds of approximately \$38.6M

**March 2015** - Announced agreement to sell 3,300,000 shares of its common stock at a public offering price of \$7.40 per share, raising \$24.4 million in gross proceeds and \$23.0 million in net proceeds

**November 2014** - Announced agreement to sell 1,440,000 shares of 6.75% Series B cumulative term preferred stock at a price of \$25.00 per share, raising \$36.0 million in gross proceeds and approximately \$34.5 million in net proceeds

**September 2014** - Expanded credit facility 75% to \$185 million with addition of four new lenders

**June 2013** - Increased credit facility by 50% to \$105 million with addition of two new lenders

**October 2012** - Announced agreement to sell 4M shares of its common stock at a public offering price of \$7.50 per share, raising \$30.0 million in gross proceeds and \$28.3 million in net proceeds

**February 2012** - Announced agreement to sell 1,400,000 shares of 7.125% Series A cumulative term preferred stock at a price of \$25.00 per share, raising \$35.0M in gross proceeds and \$33.2M in net proceeds

**June 2005** - Completed initial public offering and commenced operations

**February 2005** - Gladstone Investment Corporation founded by David Gladstone

## GLADSTONE INVESTMENT CORPORATION

**David Gladstone, CEO, President and Director** – Mr. Gladstone is the founder of Gladstone Investment Corporation, along with its affiliates, Gladstone Capital Corporation, Gladstone Commercial Corporation, and Gladstone Land Corporation. He has been the CEO and Chief Executive Officer of Gladstone Investment Corporation since inception in 2005. Prior to founding the group of companies, Mr. Gladstone served as Chairman of American Capital, American Capital Strategies, and Allied Capital Commercial. Mr. Gladstone holds an MBA from the Harvard Business School, a MA from American University and a BA from the University of Virginia.

**Terry Lee Brubaker, Chief Operating Officer, Vice Chairman and Secretary** – Mr. Brubaker has more than 30 years of experience in managing businesses. Prior to joining Gladstone, he was founder and past Chairman of Heads Up Systems, a technology company. Throughout the 1990s, he held senior level positions with companies in the pulp and paper industry. He held various senior executive positions with James River Corporation, including CEO of two of the company's businesses, and he helped grow the company from \$200 million to \$7 billion in revenues. Mr. Brubaker is a former consultant with McKinsey & Company. He holds an MBA from Harvard Business School and a BSE in aeronautical engineering from Princeton University.

**David Dullum, President** - Mr. Dullum has more than 30 years of experience in portfolio investing. He joined the Gladstone group of companies in 2001. He was a Director for Gladstone Investment from 2005 to 2015, a Director for Gladstone Commercial from 2003 to 2015, and a Director of Gladstone Capital from 2001 to 2015. Mr. Dullum has extensive experience in equity investing, middle market buyouts and due diligence. Prior to joining Gladstone, he was a partner at New England Partners, a small venture capital firm located in Boston and Washington D.C. that focuses on investing in small and medium-sized businesses. Mr. Dullum was also a Managing General Partner of Frontenac Company, a Chicago-based venture capital company that invests in mid-market businesses in the Midwest. Mr. Dullum holds an MBA from Stanford Graduate School of Business and a BME from the Georgia Institute of Technology.

**Julia Ryan, Chief Financial Officer and Treasurer** – Julia Ryan has been with Gladstone Investment Corporation since in April 2015. Prior to joining Gladstone, Ms. Ryan worked as a Senior Manager in the assurance practice of KPMG LLP in McLean, VA, where her primary responsibilities were working with public companies in the asset management and real estate industries. She holds a Bachelor of Science degree in accounting and in international business administration from Salisbury University. She is a certified public accountant in the Commonwealth of Virginia and a member of the AICPA and VSCPA.

### Board of Directors:

**David Gladstone** – *Chairman*

**Terry Lee Brubaker** – *Vice Chairman*

**Paul W. Adelgren** – *Director*

**Michela A. English** – *Director*

**Caren D. Merrick** – *Director*

**John H. Outland** – *Director*

**Anthony W. Parker** – *Director*

**Walter H Wilkinson Jr.** – *Director*

**PORTFOLIO COMPANIES AS OF 12/31/16**

COMPANY	INDUSTRY	COST (000s)	FAIR VALUE (000s)
<b>NON-CONTROL/NON-AFFILIATES</b>			
Auto Safety House, LLC	Automobile	\$5,000	\$5,457
AquaVenture Holdings, Ltd.	Utilities	\$3,397	\$4,040
B-Dry, LLC	Personal, Food, and Misc. Services	\$13,999	\$5,230
Country Club Enterprises, LLC	Automobile	\$11,725	\$9,202
Diligent Delivery Systems	Cargo Transport	\$13,500	\$15,559
Drew Foam Company, Inc.	Chemicals, Plastics, and Rubber	\$13,351	\$22,812
Frontier Packaging, Inc.	Containers, Packaging, and Glass	\$11,025	\$18,008
Funko Acquisition Holdings, LLC	Personal and Non-Durable Consumer Products	\$213	\$364
Ginsey Home Solutions, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	\$22,891	\$19,814
Jackrabbit, Inc.	Farming and Agriculture	\$14,650	\$17,054
Mathey Investments, Inc.	Machinery	\$9,379	\$6,003
Mitchell Rubber Products, Inc.	Chemicals, Plastics, and Rubber	\$16,378	\$15,189
Nth Degree, Inc.	Diversified/Conglomerate Service	\$18,950	\$23,401
SBS Industries, LLC	Machinery	\$13,571	\$11,233
Schylling, Inc.	Leisure, Amusement, Motion Picture, Entertainment	\$17,081	\$13,081
Star Seed, Inc.	Farming and Agriculture	\$6,500	\$4,650
Tread Corporation	Oil and Gas	\$7,737	\$3,412
		<b>\$199,347</b>	<b>\$194,509</b>
<b>AFFILIATE INVESTMENTS</b>			
Alloy Die Casting Co.	Diversified/Conglomerate Manufacturing	\$17,405	\$12,702
Brunswick Bowling Products, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	\$16,250	\$20,542
B+T Group Acquisition Inc.	Telecommunications	\$18,196	\$14,000
Cambridge Sound Management, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	\$20,500	\$25,116
Channel Technologies Group, LLC	Diversified/Conglomerate Manufacturing	\$1,841	\$0
Counsel Press, Inc.	Diversified/Conglomerate Manufacturing	\$30,495	\$32,526
D.P.M.S., Inc.	Diversified/Conglomerate Manufacturing	\$8,797	\$5,668
Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	\$15,474	\$12,478
GI Plastek, Inc.	Chemicals, Plastics, and Rubber	\$20,150	\$22,416
Head Country, Inc.	Beverage, Food, and Tobacco	\$13,050	\$14,258
Logo Sportswear, Inc.	Textiles and Leather	\$10,750	\$17,445
Meridian Rack & Pinion, Inc.	Automobile	\$13,041	10,796
The Mountain Corporation	Personal and Non-Durable Consumer Products	\$25,500	\$18,600
NDLI, Inc.	Cargo Transport	\$3,600	\$0
Old World Christmas, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer Products	\$21,950	\$23,585
Precision Southeast, Inc.	Diversified/Conglomerate Manufacturing	\$13,448	\$9,661
SOG Specialty Knives & Tools, LLC	Leisure, Amusement, Motion Picture, Entertainment	\$28,149	\$18,400
		<b>\$278,596</b>	<b>\$258,193</b>
<b>CONTROL INVESTMENTS</b>			
Galaxy Tool Holding Corporation	Aerospace and Defense	\$21,012	\$18,738
		<b>\$21,012</b>	<b>\$18,738</b>
<b>TOTAL INVESTMENT PORTFOLIO COMPANIES</b>		<b>\$498,955</b>	<b>\$471,440</b>

Source: Company Reports, Stonegate Capital Partners

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