

GLADSTONE INVESTMENT CORPORATION
CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

Adopted: June 22, 2005

Purpose:

The purpose of the Compensation Committee (the "*Committee*") of the Board of Directors of Gladstone Investment Corporation, a Delaware corporation (the "*Company*"), shall be to (i) review, negotiate and approve the investment advisory and management agreement with Gladstone Management Corporation ("*GMC*"); (ii) review the compensation of the chief compliance officer, chief financial officer and controller and recommend to the full board of directors as to whether such compensation should be approved as appropriate, (iii) review, negotiate and approve the trademark license agreement with GMC and (iv) to perform such other functions as may be deemed necessary or convenient in the efficient and lawful discharge of the foregoing.

Composition:

The Committee shall be comprised of a minimum of two (2) members of the Board of Directors, one of whom shall be designated as Chairman of the Committee. Each member of the Committee shall satisfy the independence requirements of the Nasdaq National Market and each of the members of the Committee shall satisfy the "non-employee director" standard within the meaning of Section 16b-3 of the Securities Exchange Act of 1934, as amended. The members of the Committee will serve at the discretion of the Board of Directors. Each such member shall hold office until his or her resignation or until otherwise determined by the Board.

Functions and Authority:

The operation of the Committee shall be subject to the Bylaws of the Company, as in effect from time to time, and Section 141 of the Delaware General Corporation Law. The Committee shall have the full power and authority of the Board of Directors to carry out the following responsibilities:

1. Recommend to the Board of Directors the compensation levels for the chief compliance officer, chief financial officer and controller.
2. Recommend to the Board of Directors the type of compensation to be paid to the directors, officers, employees and consultants of the Company.
3. Review on a periodic basis the operation of the Corporation's executive compensation programs to determine whether they are properly coordinated and to establish and periodically review policies for the administration of executive compensation programs.

4. Negotiate the terms of the Company's investment advisory and management agreement with GMC, or any other external adviser.
5. Negotiate the terms of the Company's trademark license agreement with GMC.
6. Perform such other functions and have such other powers as may be necessary or convenient in the efficient discharge of the foregoing.
7. To report to the Board of Directors from time to time, or whenever it shall be called upon to do so.

Meetings:

The Committee will hold at least one regular meeting per year and additional meetings as the Committee deems appropriate. The Chairman of the Board of Directors and the President of the Company may attend any meeting of the Committee, except for portions of the meetings where his, her or their presence would be inappropriate, as determined by the Committee.

Minutes and Reports:

Minutes of each meeting of the Committee shall be kept and distributed to each member of the Committee, members of the Board of Directors who are not members of the Committee and the Secretary of the Company. The Committee shall report to the Board of Directors from time to time, or whenever so requested by the Board of Directors.
