

**COMPANY UPDATE / ESTIMATES CHANGE /
TARGET PRICE CHANGE / RATING CHANGE**
Key Metrics

GLAD - NASDAQ (as of 02/09/17)	\$9.82
Price Target	\$8.50
52-Week Range	\$5.60-\$9.92
Shares Outstanding (mm)	25.5
Market Cap. (\$mm)	\$251
3-Mo. Average Daily Volume (000)	211.7
Institutional Ownership	10.0%
Total Debt/Equity	64.9%
TTM ROE	10.7%
Net Asset Value Per Share	\$8.36
Price/Net Asset Value	117.5%
Dividend Yield	8.6%
Price/LTM Net Investment Income	10.8x

Net Investment Income Per Share FY 9/30

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.21	\$0.21	\$0.21 A	\$0.22	\$0.21
2Q	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
3Q	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
4Q	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Year	\$0.84	\$0.84	\$0.84	\$0.85	\$0.84
P/NII	11.7x		11.6x		11.7x

* Numbers may not add due to rounding

Net Asset Value Per Share FY 9/30

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$8.38	\$7.94	\$8.36 A	\$7.35	\$8.46
2Q	\$7.92	\$7.94	\$8.43	\$7.35	\$8.47
3Q	\$7.95	\$7.94	\$8.44	\$7.35	\$8.48
4Q	\$8.62	\$7.94	\$8.45	\$7.35	\$8.49

Company Description: Headquartered in McLean, Virginia, Gladstone Capital Corporation operates as a business development company which requires the company to pay out at least 90% of earnings to shareholders. GLAD provides cash flow-based loans to privately held lower middle market businesses based in the U.S.

Gladstone Capital Corp.

GLAD -- NASDAQ – Underperform – 3

F1Q17 Review – Downgrading to Underperform on Valuation

- **Earnings Update:** F1Q17 net investment income per share of \$0.21 was in line with our estimate and the Street consensus.
- **Operating Highlights:** Total investment income rose \$0.1 million linked-quarter (LQ) to \$10.0 million as a \$0.5 million plunge in interest income that was more than offset by a \$0.7 million rise in other income. F1Q17 other income benefitted from strong success fees on exits.

Net investment income was up \$0.3 million LQ driven by the rise in total investment income coupled with a \$0.1 decrease in total expenses.

Net asset value per (NAV) share declined \$0.26 LQ to \$8.36, \$0.17 of which was attributable to realized and unrealized losses and the remainder due to a F1Q17 stock offering that was issued at a discount to NAV.

GLAD invested \$17.2 million in three new portfolio companies and \$3.9 million in existing companies during the quarter.

The company realized \$50.5 million in principal repayments in F1Q17.

- **Estimates & Valuation:** We are retaining our FY2017 net investment income per share estimate at \$0.84 and reducing our FY2018 estimate by \$0.01 to \$0.84.

With the recent surge in GLAD's share price, it is trading at 117.5% of NAV, which is a meaningful premium to its historical multiple of approximately 95.0% and the median multiple for other small-cap BDCs of approximately 100.0%. As discussed in the second page of this report, we believe the stock's valuation is excessive. We are establishing a 12-month price target of \$8.50 based on the application of a 100.0% multiple applied to our forward NAV estimate and downgrading our rating to Underperform based solely on valuation.

Note Important Disclosures on pages 6-7

Note Analyst Certification on page 6

OTHER KEY TAKEAWAYS

- The sequential decline in interest income was attributable to a reduction in the average balance of interest earning assets stemming from the high level of principal repayments. The lower level of interest bearing assets will clearly constrain interest income until these assets can be replaced. The company indicated that, given the strength of the pipeline for new investments and limited expected principal repayments and exits near-term, it expects to replenish its investment portfolio in “short order”.
- The weighted average yield on interest-bearing investments increased to 11.3% in F1Q17 from 11.0% in the prior quarter.
- Total expenses fell 1.7% LQ primarily due to an increase in credits to fees from its external adviser and lower interest expense.
- Borrowings from GLAD’s line of credit decreased \$43.3 million to \$28.0 million LQ. The credit limit under the facility is \$170.0 million.
- One portfolio company, Sunshine Media Holdings, was partially on nonaccrual status at quarter-end with an aggregate cost basis of \$19.1 million, or 6.1% of the cost basis of all debt investments.
- The company issued 2.2 million shares of its common stock in October 2016 for net proceeds of \$16.4 million. This helped to reduce the debt-to-equity ratio to 0.43X at quarter-end.
- The company’s energy exposure consisted of two proprietary investments and two syndicated investments that comprised 10.7% of total investments at fair value, unchanged from September 30.
- Approximately 90.9% of debt investments were variable rate at quarter-end, all of which contain interest rate floors. The weighted average LIBOR floor on these assets is approximately 1.4%.
- Subsequent to quarter-end, GLAD invested \$10.0 million through secured second lien debt in Belnick, Inc., an internet based seller of high volume, value oriented furniture to e-commerce retailers and directly to consumers.
- As mentioned, GLAD is currently trading at 117.5% of NAV. To justify a meaningful premium to NAV, we believe NAV expansion needs to be highly probable. We are concerned the achievement of NAV growth is speculative given the company’s five-year CAGR in NAV is -3.2% and the fact that its external manager is currently waiving fees to enable GLAD to cover dividends with net investment income. While we believe the company will be able to cover dividends over time without the external manager’s support, we conclude there are too many risks and uncertainties to warrant the stock’s lofty valuation.
- With the advance in GLAD’s share price, its dividend yield has declined to 8.6% from its five-year average yield of 9.9%.

The following chart provides information regarding the company’s investment portfolio. Total net depreciation for the portfolio was 17.4% at quarter-end, down from 15.6% at September 30, 2016. Hilliard Lyons does not project any changes in the valuation of the portfolio.

PORTFOLIO HOLDINGS

HOLDINGS SUMMARY @ DECEMBER 31, 2016						
Company	Product	Cost (000)	Fair Value 12/31/16	App. (Dep.)	Cost of Portfolio %	FV Portfolio %
<u>Control Investments</u>						
1 Defiance Integrated Technologies	Automobile	\$ 6,725	\$ 9,416	\$ 2,691	1.93%	3.27%
2 PIC 360, LLC	Machinery	\$ 4,001	\$ 4,221	\$ 220	1.15%	1.46%
3 Sunshine Media Holdings	Printing & Publishing	\$ 29,991	\$ 5,629	\$ (24,362)	8.59%	1.95%
<u>Affiliate Investments</u>						
4 Edge Adhesives Holdings, Inc.	Diversified/Conglomerate Manufacturing	\$ 10,316	\$ 8,318	\$ (1,998)	2.96%	2.89%
5 FedCap Partners, LLC	Private Equity Fund-Aerospace & Defense	\$ 1,634	\$ 1,265	\$ (369)	0.47%	0.44%
6 Lignetics, Inc.	Diversified Natural Resources	\$ 15,855	\$ 13,809	\$ (2,046)	4.54%	4.79%
7 LWO Acquisitions Company	Diversified/Conglomerate Manufacturing	\$ 14,306	\$ 10,842	\$ (3,464)	4.10%	3.76%
8 Targus Cayman HoldCo Limited	Textiles and Leather	\$ 4,714	\$ 3,757	\$ (957)	1.35%	1.30%
<u>Non-Control Investments</u>						
9 AG Transportation Holdings, LLC	Cargo Transport	\$ 14,244	\$ 13,130	\$ (1,114)	4.08%	4.56%
10 Alloy Die Casting Co	Diversified/Conglomerate Manufacturing	\$ 7,460	\$ 5,445	\$ (2,015)	2.14%	1.89%
11 B+T Group Acquisition Inc.	Telecommunications	\$ 7,799	\$ 5,865	\$ (1,934)	2.23%	2.03%
12 Canopy Safety Brands, LLC	Personal & Non-Durable Products	\$ 7,500	\$ 7,369	\$ (131)	2.15%	2.56%
13 Chinese Yellow Pages Company	Printing & Publishing	\$ 108	\$ -	\$ (108)	0.03%	0.00%
14 Drumcree LLC	Broadcasting and Entertainment	\$ 4,997	\$ 4,997	\$ -	1.43%	1.73%
15 Flight Fit N Fun LLC	Leisure, Amusement, Motion Pic. Ent.	\$ 8,500	\$ 8,531	\$ 31	2.44%	2.96%
16 Francis Drilling Fluids, Ltd.	Oil and Gas	\$ 23,647	\$ 8,972	\$ (14,675)	6.78%	3.11%
17 Funko, LLC	Personal & Non-Durable Products	\$ 213	\$ 365	\$ 152	0.06%	0.13%
18 GFRC Holdings, LLC	Buildings and Real Estate	\$ 2,930	\$ 2,795	\$ (135)	0.84%	0.97%
19 IA Tech, LLC	Diversified/Conglomerate Service	\$ 23,000	\$ 23,345	\$ 345	6.59%	8.10%
20 LCR Contractors, LLC	Buildings and Real Estate	\$ 8,500	\$ 8,596	\$ 96	2.44%	2.98%
21 Leeds Novamark Capital I, L.P.	Private Equity Fund - Health, Edu, Childcare	\$ 1,414	\$ 1,254	\$ (160)	0.41%	0.44%
22 Meridian Rack & Pinion, Inc.	Automobile	\$ 5,589	\$ 4,627	\$ (962)	1.60%	1.61%
23 Merlin International	Healthcare, Education, Childcare	\$ 10,000	\$ 10,075	\$ 75	2.87%	3.50%
24 Mikawaya	Beverage, Food, and Tobacco	\$ 7,200	\$ 7,097	\$ (103)	2.06%	2.46%
25 Precision Acquisition Group Hldgs, Inc	Machinery	\$ 1,610	\$ 1,608	\$ (2)	0.46%	0.56%
26 Sea Link International	Automobile	\$ 5,240	\$ 5,240	\$ -	1.50%	1.82%
27 Travel Sentry, Inc.	Diversified/Conglomerate Service	\$ 9,329	\$ 9,399	\$ 70	2.67%	3.26%
28 Triple H Food Processors	Beverage, Food, and Tobacco	\$ 7,650	\$ 7,995	\$ 345	2.19%	2.77%
29 TWS Acquisition Corporation	Healthcare, Education, Childcare	\$ 9,433	\$ 9,515	\$ 82	2.70%	3.30%
30 United Flexible, Inc.	Diversified/Conglomerate Manufacturing	\$ 18,409	\$ 18,196	\$ (213)	5.27%	6.31%
31 Vacation Rental Pros Prop. Mgt.	Hotels, Motels, Inns, and gaming	\$ 7,000	\$ 7,000	\$ -	2.01%	2.43%
32 Vision Government Solutions	Diversified/Conglomerate Service	\$ 11,750	\$ 10,781	\$ (969)	3.37%	3.74%
33 WadeCo Specialties Inc.	Oil and Gas	\$ 19,983	\$ 18,443	\$ (1,540)	5.73%	6.40%
<u>Syndicated Investments</u>						
34 DataPipe, Inc.	Diversified/conglomerate service	\$ 1,955	\$ 1,975	\$ 20	0.56%	0.69%
35 Ldiscovery, LLC	Diversified/conglomerate service	\$ 4,800	\$ 4,800	\$ -	1.38%	1.67%
36 NetSmart Technologies	Healthcare, Education, Childcare	\$ 3,605	\$ 3,633	\$ 28	1.03%	1.26%
37 New Trident Holdcorp, Inc.	Healthcare, Education, Childcare	\$ 3,991	\$ 3,000	\$ (991)	1.14%	1.04%
38 PLATO Learning, Inc.	Healthcare, Education, Childcare	\$ 5,675	\$ 3,091	\$ (2,584)	1.63%	1.07%
39 PSC Industrial Holdings Corp.	Oil and Gas	\$ 3,445	\$ 3,272	\$ (173)	0.99%	1.14%
40 SourceHOV LLC	Finance	\$ 4,862	\$ 3,250	\$ (1,612)	1.39%	1.13%
41 The Active Network Inc.	Electronics	\$ 516	\$ 510	\$ (6)	0.15%	0.18%
42 Vertellus Specialties Inc.	Chemicals, Plastics and Rubber	\$ 4,116	\$ 2,253	\$ (1,863)	1.18%	0.78%
43 Vitera Healthcare Solutions, LLC	Healthcare, Education, Childcare	\$ 4,480	\$ 4,365	\$ (115)	1.28%	1.51%
44 W3, Co.	Oil and Gas	\$ 496	\$ 200	\$ (296)	0.14%	0.07%
	Total	\$ 348,988	\$ 288,246	\$ (60,742) depre./cost		-17.41%
	Number of Portfolio Companies	44	\$ 6,551	Average Investment Size FV		

Source: Company, Hilliard Lyons estimates; Nonaccrual assets: if the portfolio company's debt is on nonaccrual the entire investment is listed here

SUITABILITY

Our suitability rating on GLAD is 3 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISKS AND CONSIDERATIONS

Gladstone Capital is exposed to various risks including:

- **Economic Risk** – A widespread economic downturn could weaken the credit quality of GLAD's portfolio companies which could lead to higher than expected write downs and limit future growth opportunities in the small and medium sized companies GLAD invests in.
- **Interest Rate Risk** - A rise in interest rates could place stress on GLAD's portfolio companies and eventually affect their ability to pay. Additionally, as interest rates rise, GLAD's high dividend may lose appeal and lead to lower demand for the stock.
- **Investment Criteria Risk** - Failure to invest in securities that will support the dividend and future growth of GLAD could eventually lead to dividend cuts.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.

Annual yield is calculated by dividing the distribution amount by the current market price of the security. For US income tax purposes, the Company may classify all or a portion of its distributions as dividends or other non-dividend distributions. Note that for some investors, for US income tax purposes all or a portion of the Company's 2015 dividend or distribution was treated as return of capital and not as "dividend income" as reflected on the IRS Form 1099-Div for the 2015 tax year. The Company generally makes a final determination regarding the proper tax treatment of distributions after calendar year end. We urge each shareholder to consult with his or her own tax advisor to determine the tax consequences of the distributions received, including any state, local or foreign tax considerations.

GLOSSARY

Regulated Investment Company (RIC): As regarded by the Internal Revenue Service. By following a few requirements, the most important of which is paying out at least 90% of taxable income (ordinary income plus short-term capital gains), the company does not pay federal income tax. This *avoids double taxation*. A typical company distributes common dividends out of net income (after-tax). Taxes are paid again by the shareholder upon receipt of a dividend. Sometimes a RIC will report income taxes paid. Any amount of taxable income greater than 90% but less than 98% not paid to shareholders is subject to a 4% excise tax and a 35% rate on any taxable income retained. There may be some instances where it is in the RIC's best interest to retain income in spite of paying the taxes.

Business Development Company (BDC): Structure provided in the Investment Company Act of 1940. Basic requirements: 1) Qualifying assets – 70% of total assets must be small private U.S. companies. 2) Asset coverage – assets must cover the company's borrowings by at least 200% or debt to equity cannot exceed 1. 3) Significant managerial assistance – BDCs must offer to provide guidance to its portfolio companies.

Non-Diversified Company: May have investments exceeding 5% of total assets or an equity interest in a company exceeding 10%.

	GLADSTONE CAPITAL CORPORATION										GLAD-UNDERPERFORM		
	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	9/30/18	9/30/17	9/30/18
	1016A	2016A	3016A	4016A	1017A	2017E	3017E	4017E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	FY 2018 E
\$ Thousands, Except for Per Share Data													
Income Statement Analysis													
Investment Income:													
Total Interest Income	9,184	8,668	8,253	9,111	8,633	8,703	9,351	9,516	34,895	35,216	36,203	39,297	8.5%
Total Other Income	876	788	1,591	638	1,341	500	500	500	3,163	3,893	2,841	3,800	33.8%
Total Investment Income	10,060	9,456	9,844	9,749	9,974	9,203	9,851	10,016	38,058	39,109	39,044	43,097	10.4%
Expenses:													
Base Management Fee	1,528	1,362	1,369	1,426	1,378	1,339	1,420	1,468	6,888	5,685	5,605	6,057	8.0%
Incentive Fee	1,118	1,064	1,187	1,145	1,293	1,072	1,149	1,147	4,083	4,514	4,662	5,009	7.5%
Administration Fee	336	277	287	282	300	277	286	301	1,033	1,182	1,174	1,286	10.4%
Interest Expense	785	633	648	833	556	583	758	887	3,828	2,899	2,783	4,138	48.7%
Dividends on Preferred Stock	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	4,116	4,117	4,117	4,118	0.0%
Other General and Administrative	891	1,026	913	701	910	850	850	850	3,294	3,531	3,460	3,500	0.0%
Expenses Before Credits from Advisor	5,687	5,391	5,433	5,417	5,468	5,150	5,503	5,683	23,242	21,928	21,802	24,118	10.6%
Portfolio Company Fee Credit	(65)	(169)	(319)	(230)	(649)	(216)	(229)	(237)	(1,398)	(783)	(1,331)	(977)	-0.6%
Senior Syndicated Loan Fee Waiver	(33)	(22)	(17)	(20)	(13)	(20)	(20)	(20)	(118)	(92)	(73)	(60)	-26.6%
Incentive Fee Waiver	(288)	(661)	(160)	(320)	(37)	(1,070)	(762)	(769)	(1,367)	(1,429)	(2,638)	(1,398)	9.6%
Total Expenses	5,301	4,539	4,937	4,847	4,767	3,844	4,492	4,658	20,358	19,624	17,760	21,662	-47.0%
Net Investment Income	4,759	4,917	4,907	4,902	5,207	5,359	5,359	5,359	17,700	19,485	21,283	21,435	22.0%
Realized & Unrealized Gain (Loss):													
Total Net Realized Gain/(Loss)	15,380	(5,521)	(84)	(2,621)	(3,448)	-	-	-	(34,176)	7,154	(3,448)	-	0.7%
Net Unrealized Gain/(Loss)	(28,843)	(5,535)	693	18,414	(843)	-	-	-	24,960	(15,271)	(843)	-	-26.1%
Net Dec./Inc. in Net Assets from Operations	(8,704)	(6,139)	5,516	20,695	916	5,359	5,359	5,359	8,484	11,368	16,992	21,435	49.5%
Performance Ratios: %													
Interest Income / Avg. Investments at Cost	9.33%	9.36%	8.75%	9.44%	9.37%	9.75%	9.75%	9.75%	8.81%	9.22%	9.66%	9.76%	4.7%
Interest Expense / Avg. Borrowings	2.04%	2.15%	2.06%	2.49%	2.01%	2.36%	2.54%	2.75%	2.42%	2.18%	2.41%	2.97%	1.2%
Total Expenses / Total Investment Income	52.69%	48.00%	50.15%	49.72%	47.79%	41.77%	45.60%	46.50%	53.49%	50.18%	45.49%	50.26%	23.0%
Annualized Total Expenses / Avg. Assets	5.97%	5.68%	6.20%	5.85%	-0.74%	-0.23%	-0.24%	-0.24%	5.72%	5.82%	5.33%	6.46%	10.5%
Return on Avg. Assets	-2.65%	-1.97%	1.69%	6.14%	0.30%	1.62%	1.57%	1.52%	2.22%	3.37%	4.82%	5.72%	18.7%
Return on Avg. Equity	-4.43%	-3.31%	2.97%	10.29%	0.43%	2.49%	2.49%	2.49%	4.43%	5.65%	7.88%	9.89%	25.5%
Balance Sheet													
Assets:													
Total Investments At Cost	372,887	372,220	386,226	381,801	348,988	374,988	385,988	396,988	410,244	381,801	396,988	418,988	5.5%
Total Investments At Fair Value	299,691	293,428	308,226	322,114	288,246	314,246	325,246	336,246	365,891	322,114	336,246	368,246	6.5%
Unrealized Gain/(Loss)	(73,196)	(78,792)	(78,000)	(58,687)	(60,742)	(60,742)	(60,742)	(60,742)	(44,353)	(59,687)	(60,742)	(60,742)	0.0%
Cash & Cash Equivalents	13,806	5,802	5,022	6,152	5,780	5,780	5,780	5,780	3,808	6,152	5,780	5,780	0.0%
Other Assets	14,786	11,770	12,302	8,912	10,626	10,626	10,626	10,626	12,783	8,912	10,626	10,626	0.0%
Total Assets	328,283	311,000	325,550	337,178	304,652	330,652	341,652	352,652	392,482	337,178	352,652	374,652	6.2%
Liabilities & Shareholders' Equity:													
Borrowings At Fair Value (\$70M Line)	57,500	57,300	73,300	71,300	27,987	53,707	64,427	75,147	127,300	71,300	75,147	96,027	5.4%
Mandatorily Redeemable Preferred Stock	61,000	61,000	61,000	61,000	59,448	59,448	59,448	59,448	61,000	61,000	59,448	59,448	0.0%
Total Borrowings	118,500	118,300	134,300	132,300	87,435	113,155	123,875	134,595	188,300	132,300	134,595	155,475	27.8%
Other Liabilities	13,313	7,496	5,736	3,671	8,332	2,501	2,502	2,503	2,738	3,671	2,503	2,503	0.0%
Total Liabilities	131,813	125,796	140,036	135,971	91,267	115,656	126,377	137,098	191,038	135,971	137,098	157,978	15.2%
Shareholders' Equity (Net Assets)	196,470	185,204	185,514	201,207	213,385	214,996	215,275	215,554	191,444	201,207	215,554	216,674	0.5%
Total Liabilities & Shareholders' Equity	328,283	311,000	325,550	337,178	304,652	330,652	341,652	352,652	392,482	337,178	352,652	374,652	6.2%
Balance Sheet Ratios													
Assets/Equity	1.67x	1.68x	1.75x	1.68x	1.43x	1.54x	1.59x	1.64x	2.00x	1.68x	1.64x	1.73x	5.7%
Total Debt to Equity	60.31%	67.92%	75.49%	67.58%	42.77%	53.79%	56.70%	63.60%	98.36%	67.58%	63.60%	72.91%	14.6%
Net Debt to Equity	53.29%	60.74%	69.69%	62.70%	38.27%	49.94%	54.86%	59.76%	96.37%	62.70%	59.76%	69.09%	15.6%
Share & Per Share Data:													
Common Shares Outstanding (000)	23,432	23,386	23,344	23,344	25,518	25,518	25,518	25,518	21,132	23,344	25,518	25,518	0.0%
Average Diluted Shares (000)	22,687	23,413	23,364	23,344	24,431	25,518	25,518	25,518	21,067	23,202	25,246	25,518	1.1%
Net Investment Income Per Share	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.84	0.84	0.84	0.84	-0.4%
Dividends	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.84	0.84	0.84	0.84	0.0%
Net Investment Income Payout Ratio	100%	100%	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%	0.4%
Earnings Per Share	(0.38)	(0.26)	0.24	0.89	0.04	0.21	0.21	0.21	0.40	0.49	0.67	0.84	24.8%
Net Asset Value Per Share	8.38	7.92	7.95	8.62	8.36	8.43	8.44	8.45	0.40	0.84	0.84	0.84	0.0%

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Gladstone Commercial Corp. (GOOD-\$19.67), Gladstone Investment Corp. (GAIN-\$9.23), and Gladstone Land Corp. (LAND-\$12.55) share the same management and board as Gladstone Capital Corp.

Hilliard Lyons acted as a manager or co-manager of an offering of securities of Gladstone Capital Corp. in the past 12 months.

Hilliard Lyons has received investment banking compensation from Gladstone Capital Corp. in the past 12 months.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	17%	83%
Hold/Neutral	76	62%	7%	93%
Sell	10	8%	0%	100%

As of 6 February 2017

Other Disclosures

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