

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **May 25, 2007**

Gladstone Capital Corporation

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

814-00237
(Commission
File Number)

54-2040781
(IRS Employer
Identification No.)

1521 Westbranch Drive, Suite 200
McLean, Virginia
(Address of principal executive offices)

22102
(Zip Code)

Registrant's telephone number, including area code: **(703) 287-5800**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement

On May 25, 2007, Gladstone Capital Corporation, through its wholly-owned subsidiary, Gladstone Business Loan LLC, amended and extended its credit agreement which was originally established on May 19, 2003. In conjunction with this amendment and extension, Gladstone Business Loan LLC, Gladstone Management Corporation (an affiliated entity), Deutsche Bank AG and certain other parties listed from time to time as committed lenders entered into the Amended and Restated Credit Agreement dated May 25, 2007 (the "Amendment"). The Amendment extended the maturity of the credit agreement to May 23, 2008, increased the capacity of the credit facility to \$220 million and modified existing definitions to the credit agreement.

In connection with this amendment, Gladstone Business Loan LLC paid a \$250,000 amendment fee.

A copy of the Amendment No. 3 to the Amended and Restated Credit Agreement is filed herewith as Exhibit 10.1.

Item 9.01. Financial Statements and Exhibits

- (a) Not applicable.
- (b) Not applicable
- (c) Not applicable
- (d) Exhibit 10.1 — Amendment No. 3 to the Amended and Restated Credit Agreement by and among Gladstone Business Loan LLC, Deutsche Bank AG, and certain other parties, dated as of May 25, 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Gladstone Capital Corporation
(Registrant)

By: /s/ Harry Brill
(Harry Brill, Chief Financial Officer)

May 29, 2007



AMENDMENT NO. 3
TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of May 25, 2007, is entered into among GLADSTONE BUSINESS LOAN, LLC, (the "Borrower"), DEUTSCHE BANK AG, NEW YORK BRANCH ("Deutsche Bank") and KEYBANK, NATIONAL ASSOCIATION ("KeyBank"), as Committed Lenders (collectively, the "Committed Lenders"), Deutsche Bank and KeyBank as Managing Agents (in such capacity, collectively the "Managing Agents") and Deutsche Bank as Administrative Agent (in such capacity, the "Administrative Agent"). Capitalized terms used herein without definition shall have the meanings ascribed thereto in the "Credit Agreement" referred to below.

PRELIMINARY STATEMENTS

A. Reference is made to that certain Amended and Restated Credit Agreement, dated as of May 26, 2006, among the Borrower, Gladstone Management Corporation, as Servicer, the CP Lenders, the Committed Lenders, the Managing Agents and the Administrative Agent (as amended, modified or supplemented from time to time, the "Credit Agreement").

B. The parties hereto have agreed to amend certain provisions of the Credit Agreement upon the terms and conditions set forth herein.

SECTION 1. Amendment. Subject to the satisfaction of the conditions set forth in Section 3 hereof, the parties hereto hereby agree:

- (a) to delete the definition of "Availability" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Availability: On any day, the lesser of (i) the amount by which the sum of (1) the Borrowing Base plus (2) the amount of cash in the Pending Account exceeds the sum of (A) Advances Outstanding and (B) the aggregate outstanding unfunded commitments under the Revolver Loans on such day and (ii) the amount by which the Facility Amount exceeds the sum of (A) Advances Outstanding and (B) the aggregate outstanding unfunded commitments under the Revolver Loans on such day; provided, however, during the Amortization Period, the Availability shall be zero.

- (b) to delete clause (a) in the definition of "Commitment" in Section 1.1 of the Credit Agreement and substitute the following therefor:

(a) For each Committed Lender, the commitment of such Committed Lender to fund any Advance to the Borrower in an amount not to exceed \$110,000,000, as such amount may be modified in accordance with the terms hereof;

- (c) to delete the definition of "Commitment Termination Date" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Commitment Termination Date: May 23, 2008, or such later date to which the Commitment Termination Date may be extended (if extended) in the sole discretion of the Lenders in accordance with the terms of Section 2.1(b).

- (d) to delete clause (xxiii) of the definition of "Eligible Loan" in Section 1.1 of the Credit Agreement and substitute the following therefor:

(xxiii) if such Loan is a Revolver Loan, the revolving credit commitment of the Borrower to the applicable Obligor thereunder (A) is between (1) \$500,000 and (2) an amount equal to \$8,800,000 and (B) shall have a term to maturity of three years or less; and

- (e) to delete the definition of "Facility Amount" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Facility Amount: At any time, \$220,000,000; provided, however, that on or after the Termination Date, the Facility Amount shall be equal to the amount of Advances outstanding.

- (f) to delete the definition of "Large Loan Limit" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Large Loan Limit: For Eligible Loans of each Obligor, an amount equal to \$17,600,000.

- (g) to delete the definition of "Moody's Industry Classifications" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Moody's Industry Classifications: The classifications as set forth in Exhibit N. The classification under which an Eligible Loan is categorized shall be determined on the date of origination in the reasonable discretion of the Borrower.

- (h) to delete the definition of "Payment Date" in Section 1.1 of the Credit Agreement and substitute the following therefor:

Payment Date: The ninth (9th) day of each calendar month or, if such day is not a Business Day, the next succeeding Business Day; provided that for purposes of distributions required pursuant to Section 2.8(a)(vii) only, "Payment Date" shall mean any Business Day.

- (i) to insert the following definition of "Pending Account" in Section 1.1 of the Credit Agreement in appropriate alphabetical order therein:

Pending Account: An account, subject to a control agreement in form and substance acceptable to the Administrative Agent, maintained in the name of the Borrower for the purpose of receiving the proceeds of Advances.

- (j) to delete the definition of “Required Equity Investment” in Section 1.1 of the Credit Agreement and substitute the following therefor:

Required Equity Investment: The minimum amount of equity investment in the Borrower which shall be maintained by the Originator, in the form of Eligible Loans and/or cash having an outstanding principal balance at all times prior to the Termination Date of an amount equal to the greater of (i) \$75,000,000 or (ii) the sum of the Outstanding Loan Balances of the five largest Eligible Loans included as part of the Collateral.

- (k) to delete Section 2.2(e) of the Credit Agreement in its entirety, and to substitute the following therefor:

(e) Each Funding Request shall specify the aggregate amount of the requested Advance, which shall be in an amount equal to at least \$500,000. Each Funding Request shall be accompanied by (i) a Borrower Notice, depicting the outstanding amount of Advances under this Agreement and representing that all conditions precedent for a funding have been met, including a representation by the Borrower that the requested Advance shall not, on the Funding Date thereof, exceed the Availability on such day, (ii) a calculation of the Borrowing Base as of the applicable Funding Date (which calculation may, for avoidance of doubt, take into account (i) Loans which will become Transferred Loans on or prior to such Funding Date and (ii) any portion of such Advance which is to be deposited in the Pending Account at funding), (iii) an updated Loan List including each Loan that is subject to the requested Advance, (iv) the proposed Funding Date, and (v) wire transfer instructions for the Advance. A Funding Request shall be irrevocable when delivered; provided however, that if the Borrowing Base calculation delivered pursuant to

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clause (ii) above includes a Loan which does not become a Transferred Loan on or before the applicable Funding Date as anticipated, and the Borrower cannot otherwise make the representations required pursuant to clause (i) above, the Borrower shall revise the Funding Request accordingly, and shall pay any loss, cost or expense incurred by any Lender in connection with the broken funding evidenced by such revised Funding Request.

- (l) to insert the following Section 2.15 in the Credit Agreement in appropriate numeric order therein:

Section 2.15 Pending Account.

(a) The Borrower or the Servicer on its behalf shall cause to be established, on or before the Closing Date, and maintained in the name of the Borrower and assigned to the Administrative Agent as agent for the Secured Parties, with an office or branch of a depository institution or trust company organized under the laws of the United States or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank) a segregated corporate trust account (the “*Pending Account*”) for the purpose of receiving proceeds of Advances and funding purchases of Eligible Loans.

(b) Funds deposited in the Pending Account shall be used to purchase Eligible Loans within 3 Business Days of deposit. Any funds not used within such 3 Business Day period shall, unless otherwise approved by the Administrative Agent in its sole discretion, be used to make a prepayment of the Advances Outstanding pursuant to Section 2.3(b). Notice of such prepayment shall be given on the Business Day immediately succeeding the expiration of such 3 Business Day period, and such prepayment shall take place on the earliest possible Business Day following such notice.

(m) to amend Section 11.1(a)(ii)(A) of the Credit Agreement to delete the words “(A) to any other issuer of commercial paper notes sponsored or administered by the Managing Agent of such CP Lender’s Lender Group” and substitute “(A) to any other issuer of commercial paper notes sponsored or administered by the Managing Agent of such CP Lender’s Lender Group (or, in the case of the Lender Group for which KeyBank, National Association acts as Managing Agent, to any other issuer of commercial paper notes sponsored or administered by such Managing Agent or for which Liberty Hampshire Company, LLC provides services)” therefor

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- (n) Exhibit N of the Credit Agreement is hereby deleted in its entirety, and Exhibit N attached hereto substituted therefor.

SECTION 2. Representations and Warranties. The Borrower hereby represents and warrants to each of the other parties hereto, that:

- (a) this Amendment constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms; and

(b) on the date hereof, before and after giving effect to this Amendment, other than as amended or waived pursuant to this Amendment, no Early Termination Event or Unmatured Termination Event has occurred and is continuing.

SECTION 3. Conditions.

(a) This Amendment shall become effective on the first Business Day (the “Effective Date”) on which the Administrative Agent or its counsel has received counterpart signature pages of this Amendment, executed by each of the parties hereto.

SECTION 4. Reference to and Effect on the Transaction Documents

(a) Upon the effectiveness of this Amendment, (i) each reference in the Credit Agreement to “this Credit Agreement”, “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby, and (ii) each reference to the Credit Agreement in any other Transaction Document or any other document, instrument or agreement executed and/or delivered in connection therewith, shall mean and be a reference to the Credit Agreement as amended or otherwise modified hereby.

(b) Except as specifically amended, terminated or otherwise modified above, the terms and conditions of the Credit Agreement (including all other amendments thereto), of all other Transaction Documents and any other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect and are hereby ratified and confirmed.

- (c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative

Agent, any Managing Agent or any Lender under the Credit Agreement or any other Transaction Document or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, in each case except as specifically set forth herein.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopier or electronic delivery shall be effective as delivery of a manually executed counterpart of this Amendment.

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SECTION 6. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

SECTION 8. Fees and Expenses. The Borrower further hereby confirms its agreement to pay on demand all reasonable costs and expenses of the Administrative Agent, Managing Agents or Lenders in connection with the preparation, execution and delivery of this Amendment and any of the other instruments, documents and agreements to be executed and/or delivered in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to the Administrative Agent, Managing Agents or Lenders with respect thereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers as of the date first above written.

GLADSTONE BUSINESS LOAN, LLC, as Borrower

By: _____
Name:
Title:

Signature Page to Amendment No. 3

DEUTSCHE BANK AG, NEW YORK BRANCH,
as a Committed Lender,
Managing Agent and Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

TAHOE FUNDING CORP., as CP Lender

By: _____
Name:
Title:

KEYBANK, NATIONAL ASSOCIATION,
as a Committed Lender and Managing Agent

By: _____
Name:
Title:

PUBLIC SQUARE FUNDING LLC, as CP Lender

By: _____
Name:
Title:

EXHIBIT N

- 1 Aerospace and Defense
 - 2 Automobile
 - 3 Banking
 - 4 Beverage, Food and Tobacco
 - 5 Buildings and Real Estate
 - 6 Chemicals, Plastics and Rubber
 - 7 Containers, Packaging and Glass
 - 8 Personal and Non-Durable Consumer Products (Manufacturing Only)
 - 9 Diversified/Conglomerate Manufacturing
 - 10 Diversified/Conglomerate Service
 - 11 Diversified Natural Resources, Precious Metals and Minerals
 - 12 Ecological
 - 13 Electronics
 - 14 Finance
 - 15 Farming and Agriculture
 - 16 Grocery
 - 17 Healthcare, Education and Childcare
 - 18 Home and Office Furnishings, Housewares and Durable Consumer Products
 - 19 Hotels, Motels, Inns and Gaming
 - 20 Insurance
 - 21 Leisure, Amusement, Motion Pictures, Entertainment
 - 22 Machinery (Non-Agriculture, Non-Construction and Non-Electronic)
 - 23 Mining, Steel, Iron and Non-Precious Metals
 - 24 Oil and Gas
 - 25 Personal, Food and Miscellaneous Services
 - 26 Printing and Publishing
 - 27 Cargo Transport
 - 28 Retail Store
 - 29 Telecommunications
 - 30 Textiles and Leather
 - 31 Personal Transportation
 - 32 Utilities
 - 33 Broadcasting and Entertainment
 - 34 CDO/ABS
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