

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) August 1, 2006

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.)
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1521 Westbranch Drive, Suite 200 McLean, Virginia (Address of principal executive offices)	22102 (Zip Code)
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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 2.02 Results of Operations and Financial Condition.

On August 1, 2006, Gladstone Capital Corporation issued a press release announcing its financial results for the third quarter ended June 30, 2006. The text of the press release is included as an exhibit to this Form 8-K. Pursuant to the rules and regulations of the Securities and Exchange Commission, such exhibit and the information set forth therein and herein are deemed to be furnished and shall not be deemed to be filed.

Item 9.01 Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits.

Exhibit No. -----	Description -----
99.1	Press release dated August 1, 2006

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.

August 1, 2006

Gladstone Capital Corporation  
(Registrant)  
By: /s/ Harry Brill  
-----  
(Harry Brill, Chief Financial Officer)

EXHIBIT INDEX

Exhibit No. - - - - -	Description - - - - -
99.1	Press release dated August 1, 2006

Gladstone Capital Reports Results for the Third Quarter Ended  
June 30, 2006

MCLEAN, Va.--(BUSINESS WIRE)--Aug. 1, 2006--Gladstone Capital Corp. (NASDAQ:GLAD):

- Net Investment Income was \$4.79 million or \$0.41 per diluted common share
- Net Increase in Net Assets was \$5.54 million or \$0.48 per diluted common share

Gladstone Capital Corp. (NASDAQ:GLAD) (the "Company") today announced earnings for the third quarter and nine months ended June 30, 2006. All per share references are based on fully diluted weighted average common shares outstanding, unless otherwise noted.

Net Investment Income for the third quarter ended June 30, 2006 was \$4,788,082 or \$0.41 per share, as compared to \$4,372,426 or \$0.38 per share for the third quarter ended June 30, 2005, an increase of 7.9% per share. Net Investment Income for the nine months ended June 30, 2006 was \$14,434,312 or \$1.25 per share, as compared to \$13,481,088 or \$1.16 per share for the nine months ended June 30, 2005, an increase of 7.8% per share.

Net Increase in Net Assets Resulting from Operations for the third quarter ended June 30, 2006 was \$5,543,076, or \$0.48 per share, as compared to \$3,934,153 or \$0.34 per share for the same period one year ago, an increase of 41.2% per share. Net Increase in Net Assets Resulting from Operations for the nine months ended June 30, 2006 was \$19,366,806, or \$1.68 per share, as compared to \$13,154,479 or \$1.13 per share for the same period one year ago, an increase of 48.7% per share.

The Company also recorded net unrealized appreciation on its investments of \$812,991 for the third quarter ended June 30, 2006, as compared to net unrealized depreciation of \$389,229 for the third quarter ended September 30, 2005. For the nine months ended June 30, 2006, the Company recorded net unrealized appreciation on its investments of \$5,769,820 as compared to net unrealized depreciation of \$298,352 for the nine months ended June 30, 2005.

Total assets were \$207.5 million at June 30, 2006, as compared to \$205.8 million at September 30, 2005. Net asset value was \$13.95 per actual common share outstanding at June 30, 2006, as compared to \$13.41 per actual common share outstanding, at September 30, 2005.

The annualized weighted average yield on the Company's portfolio for the three months ended June 30, 2006 was 11.7%; there was no paid in kind interest during the three months. The annualized weighted average yield on the portfolio for the three months ended June 30, 2005 was 11.4% (without giving effect to paid in kind interest) and 11.8% (after giving effect to paid in kind interest). Beginning April 1, 2006 the Company has no investments with paid in kind interest.

On October 1, 2005 the Company began recording stock option expense for stock-based awards, in accordance with Statement of Financial Accounting Standards No. 123(R) Share-Based Payment. Accordingly, the Company recorded \$202,296 in stock option expense for the quarter ended June 30, 2006 and \$279,618 for the nine months ending June 30, 2006.

Third quarter highlights:

- Closed approximately \$39.9 million of new investments;
- Received principal repayments of \$44.4 million, which included scheduled principal repayments; and
- Received prepayment penalties and other income of \$630,000.

At June 30, 2006, the Company had 29 private company investments in debt and equity securities with an aggregate cost balance of \$201.5 million and a fair value of \$202.7 million.

"Our strong third quarter earnings results included a 7.9 % per share increase in net investment income and an increase of 41.2% per share for net increase in net assets. Our results were driven by the continued portfolio strength and our ability to post positive results, despite additional loan prepayments," said Chip Stelljes, President and Chief Investment Officer. "We continue to see a steady flow of investment opportunities and expect to post positive results for our September 30, 2006 fiscal year end."

Subsequent event highlights:

- Purchased two syndicated loans for \$6.5 million;
- Extended one loan origination for \$5.7 million;

- Received one full investment repayment for \$7.5 million; and
- Declared monthly cash dividends of \$0.14 per common share for each of the months of July, August and September 2006.

The financial statements below are without footnotes. We have filed a Form 10-Q today for the third quarter ended June 30, 2006 with the Securities and Exchange Commission (the "SEC"), which can be retrieved from the SEC's website at [www.SEC.gov](http://www.SEC.gov) or from the Company's web site at [www.GladstoneCapital.com](http://www.GladstoneCapital.com). A paper copy can be obtained free of charge by writing to us at 1521 Westbranch Drive, Suite 200, McLean, VA 22102.

The Company will hold a conference call Wednesday, August 2, 2006 at 9:30 am ET to discuss third quarter earnings. Please call (877) 407-9205 to enter the conference. An operator will monitor the call and set a queue for the questions.

The conference call replay will be available two hours after the call and will be available through September 2, 2006. To hear the replay, please dial (877) 660-6853, access playback account 286 and use conference ID code 209587.

The live audio broadcast of Gladstone Capital's quarterly conference call will be available online at [www.GladstoneCapital.com](http://www.GladstoneCapital.com) and [www.investorcalendar.com](http://www.investorcalendar.com). The event will be archived and available for replay on the Company's website.

For further information contact our Investor Relations Manager, Kelly Sargent at 703-287-5835.

This press release may include statements that may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to the future performance of the Company. Words such as "should," "believes," "feel," "expects," "projects," "goals," and "future" or similar expressions are intended to identify forward-looking statements. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans that are believed to be reasonable as of the date of this press release. Factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements include, among others, those factors listed under the caption "Risk factors" of the Company's Form 10-K for the fiscal year ended September 30, 2005, as filed with the Securities and Exchange Commission ("SEC") on December 13, 2005 and as listed in the Form 10-Q for the quarter ended June 30, 2006, as filed with the SEC today. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLADSTONE CAPITAL CORPORATION  
CONSOLIDATED STATEMENTS OF ASSETS & LIABILITIES  
(Unaudited)

	June 30, 2006	September 30, 2005
	-----	-----
<b>ASSETS</b>		
Investments at fair value (Cost 6/30/2006: \$201,465,621; 9/30/2005: \$205,375,554)	\$202,706,650	\$200,846,763
Cash and cash equivalents	456,314	503,776
Interest receivable - investments in debt securities	1,132,213	1,406,212
Interest receivable - officers	24,836	27,067
Due from custodian	2,493,924	2,624,074
Due from Adviser	207,960	-
Deferred financing fees	148,762	70,000
Prepaid assets	71,946	177,848
Other assets	230,450	137,354
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$207,473,055</b>	<b>\$205,793,094</b>
	=====	=====
<b>LIABILITIES</b>		
Accounts payable	\$ 45,342	\$ 21,893
Interest payable	188,392	183,707
Fees due to Adviser	181,398	391,322
Borrowings under lines of credit	47,846,000	53,034,064
Accrued expenses and deferred liabilities	225,367	350,665
Funds held in escrow	200,800	200,760
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>48,687,299</b>	<b>54,182,411</b>
	-----	-----
<b>NET ASSETS</b>	<b>\$158,785,756</b>	<b>\$151,610,683</b>

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value, 50,000,000 shares authorized and 11,384,363 and 11,303,510 shares issued and outstanding, respectively	\$ 11,385	\$ 11,304
Capital in excess of par value	166,240,635	164,610,873
Notes receivable - employees	(8,815,818)	(8,745,781)
Net unrealized appreciation/(depreciation) on investments	1,241,029	(4,528,791)
Unrealized depreciation on derivative	(188,495)	(253,747)
Realized (loss)/gain on sale of investments	(861,695)	42,250
Distributions less than net investment income	1,158,715	474,575
TOTAL NET ASSETS	\$158,785,756	\$151,610,683
NET ASSETS PER SHARE	\$ 13.95	\$ 13.41

GLADSTONE CAPITAL CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
INVESTMENT INCOME		
Interest income - investments	\$ 5,775,522	\$ 5,766,233
Interest income - cash and cash equivalents	8,178	7,631
Interest income - notes receivable from employees	108,877	108,065
Prepayment fees and other income	630,239	245,297
Total investment income	6,522,816	6,127,226
EXPENSES		
Loan servicing	693,965	687,971
Management fee	331,040	358,631
Professional fees	166,405	133,505
Amortization of deferred financing fees	36,036	100,663
Interest expense	702,449	563,336
Stockholder related costs	28,371	16,475
Directors fees	27,500	26,624
Insurance expense	50,589	43,891
Stock option compensation	202,296	-
Other expenses	35,083	64,304
Expenses before credit from Gladstone Management	2,273,734	1,995,400
Credit to management fee for fees collected by Gladstone Management	(539,000)	(240,600)
Total expenses net of credit to management fee	1,734,734	1,754,800
NET INVESTMENT INCOME BEFORE INCOME TAXES	4,788,082	4,372,426
Income tax expense	-	-
NET INVESTMENT INCOME	4,788,082	4,372,426
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Realized loss on sale of investments	(100,850)	-
Realized gain on settlement of derivative	1,367	-
Unrealized appreciation (depreciation) on derivative	41,486	(49,044)
Net unrealized appreciation (depreciation) on investments	812,991	(389,229)
Net gain (loss) on investments	754,994	(438,273)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 5,543,076	\$ 3,934,153

NET INCREASE IN NET ASSETS RESULTING FROM  
OPERATIONS PER COMMON SHARE:

Basic	\$ 0.49	\$ 0.35
	=====	=====
Diluted	\$ 0.48	\$ 0.34
	=====	=====

WEIGHTED AVERAGE SHARES OF COMMON STOCK  
OUTSTANDING:

Basic	11,337,291	11,299,010
Diluted	11,570,425	11,578,637

GLADSTONE CAPITAL CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Nine Months Ended June 30, 2006	Nine Months Ended June 30, 2005
	-----	-----
INVESTMENT INCOME		
Interest income - investments	\$18,497,893	\$16,671,756
Interest income - cash and cash equivalents	21,714	29,101
Interest income - notes receivable from employees	323,003	336,382
Prepayment fees and other income	711,225	1,054,917
	-----	-----
Total investment income	19,553,835	18,092,156
	-----	-----
EXPENSES		
Loan servicing	2,144,024	1,804,465
Management fee	952,120	1,075,940
Professional fees	399,758	528,610
Amortization of deferred financing fees	94,572	284,487
Interest expense	2,302,693	1,174,587
Stockholder related costs	273,170	192,785
Directors fees	81,712	77,624
Insurance expense	151,956	134,053
Stock option compensation	279,618	-
Other expenses	151,663	176,939
	-----	-----
Expenses before credit from Gladstone Management	6,831,286	5,449,490
	-----	-----
Credit to management fee for fees collected by Gladstone Management	(1,762,000)	(977,100)
	-----	-----
Total expenses net of credit to management fee	5,069,286	4,472,390
	-----	-----
NET INVESTMENT INCOME BEFORE INCOME TAXES	14,484,549	13,619,766
	-----	-----
Income tax expense	50,237	138,678
	-----	-----
NET INVESTMENT INCOME	14,434,312	13,481,088
	-----	-----
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized (loss) gain on sale of investments	(903,945)	29,750
Realized gain on settlement of derivative	1,367	-
Unrealized appreciation (depreciation) on derivative	65,252	(58,007)
Net unrealized appreciation (depreciation) on investments	5,769,820	(298,352)
	-----	-----
Net gain (loss) on investments	4,932,494	(326,609)
	-----	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$19,366,806	\$13,154,479
	=====	=====
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE:		
Basic	\$ 1.71	\$ 1.17
	=====	=====
Diluted	\$ 1.68	\$ 1.13
	=====	=====

WEIGHTED AVERAGE SHARES OF COMMON STOCK  
OUTSTANDING:

Basic	11,317,437	11,288,784
Diluted	11,549,054	11,602,986

GLADSTONE CAPITAL CORPORATION  
FINANCIAL HIGHLIGHTS  
(Unaudited)

Three Months Ended June 30,  
2006                      2005

Per Share Data (1)

Net asset value at beginning of period	\$ 13.84	\$ 13.64
Income from investment operations:		
Net investment income (2)	0.42	0.39
Realized (loss) gain on sale of investments (2)	(0.01)	-
Realized gain on settlement of derivative (2)	-	-
Net unrealized gain (loss) on investments (2)	0.07	(0.03)
Net unrealized gain on derivatives (2)	0.01	-
Total from investment operations	0.49	0.36
Less distributions:		
Distributions from net investment income	(0.41)	(0.39)
Total distributions	(0.41)	(0.39)
Issuance of common stock under stock option plan	0.10	-
Repayment of principal on notes receivable	0.01	-
Dilutive effect of share issuance	(0.08)	-
Net asset value at end of period	\$ 13.95	\$ 13.61

Per share market value at beginning of period	\$ 21.55	\$ 21.22
Per share market value at end of period	21.39	23.40
Total return (3) (4)	1.11%	12.19%
Shares outstanding at end of period	11,384,363	11,303,510

Ratios/Supplemental Data

Net assets at end of period	\$158,785,756	\$153,805,834
Average net assets (5)	\$156,053,816	\$152,484,868
Ratio of expenses to average net assets - annualized (6)	5.83%	5.23%
Ratio of net expenses to average net assets - annualized (7)	4.45%	4.60%
Ratio of net investment income to average net assets - annualized	12.27%	11.47%

Nine Months Ended June 30,  
2006                      2005

Per Share Data (1)

Net asset value at beginning of period	\$ 13.41	\$ 13.50
Income from investment operations:		
Net investment income (2)	1.28	1.19
Realized (loss) gain on sale of investments (2)	(0.08)	-
Realized gain on settlement of derivative (2)	-	-
Net unrealized gain (loss) on investments (2)	0.51	(0.03)
Net unrealized gain (loss) on derivatives (2)	-	(0.01)
Total from investment operations	1.71	1.15
Less distributions:		
Distributions from net investment income	(1.22)	(1.11)
Total distributions	(1.22)	(1.11)
Issuance of common stock under stock		

option plan	0.10	0.02
Repayment of principal on notes receivable	0.01	0.07
Offering costs	-	(0.01)
Dilutive effect of share issuance	(0.06)	(0.01)
	-----	-----
Net asset value at end of period	\$ 13.95	\$ 13.61
	=====	=====

Per share market value at beginning of period	\$ 22.55	\$ 22.71
Per share market value at end of period	21.39	23.40
Total return (3) (4)	0.35%	8.08%
Shares outstanding at end of period	11,384,363	11,303,510

#### Ratios/Supplemental Data

Net assets at end of period	\$158,785,756	\$153,805,834
Average net assets (5)	\$153,804,303	\$152,067,700
Ratio of expenses to average net assets - annualized (6)	5.97%	4.90%
Ratio of net expenses to average net assets - annualized (7)	4.44%	4.04%
Ratio of net investment income to average net assets - annualized	12.51%	11.82%

(1) Basic per share data.

(2) Based on weighted average basic per share data.

(3) Total return equals the increase of the ending market value over the beginning market value plus monthly dividends divided by the monthly beginning market value, assuming monthly dividend reinvestment.

(4) Amounts were not annualized.

(5) Average net assets are computed by taking the average balance of net assets at the end of each month of the reporting period.

(6) Ratio of expenses to average net assets is computed using expenses before credit from Gladstone Management and including income tax expense.

(7) Ratio of net expenses to average net assets is computed using total expenses net of credits from Gladstone Management and including income tax expense.

CONTACT: Gladstone Capital Corp.  
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