FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person* STELLJES GEORGE III	2. Issuer Name **and** Ticker or Trading Symbol **GLADSTONE CAPITAL CORP [GLAD]**	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)
(Last) (First) (Middle) 1521 WESTBRANCH DRIVE, SUITE 200	3. Date of Earliest Transaction (Month/Day/Year) 09/26/2006	_X_ Director _____ 10% Owner _X_ Officer (give title below) _____ Other (specify below) CIO
(Street) MCLEAN, VA 22102	4. If Amendment, Date Original Filed(Month/Day/Year)	6. Individual or Joint/Group Filing(Check Applicable Line) _X_ Form filed by One Reporting Person ___ Form filed by More than One Reporting Person
(City) (State) (Zip)		

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	09/26/2006		M		6,000	A	$ 17.11	10,973	D	
Common Stock	09/26/2006		S		6,000	D	$ 22.1834	4,973	D	
Common Stock	09/27/2006		M		15,100	A	$ 17.11	20,073	D	
Common Stock	09/27/2006		S		15,100	D	$ 22.033	4,973	D	
Common Stock	09/28/2006		M		78,900	A	$ 17.11	83,873	D	
Common Stock	09/28/2006		S		78,900	D	$ 21.9	4,973	D	
Common Stock	09/28/2006		M		50,000	A	$ 19.56	54,973	D	
Common Stock	09/28/2006		S		50,000	D	$ 21.9	4,973	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)			5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
Common Stock	$ 17.11	09/26/2006		M			6,000	(1)	09/30/2006	Common Stock	6,000	$ 0	94,000	D	
Common Stock	$ 17.11	09/27/2006		M			15,100	(1)	09/30/2006	Common Stock	15,100	$ 0	78,900	D	
Common Stock	$ 17.11	09/28/2006		M			78,900	(1)	09/30/2006	Common Stock	78,900	$ 0	0	D	
Common Stock	$ 19.56	09/28/2006		M			50,000	(2)	09/30/2006	Common Stock	50,000	$ 0	0	D	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

STELLJES GEORGE III 1521 WESTBRANCH DRIVE SUITE 200 MCLEAN, VA 22102	X		CIO	

Signatures

Paula Novara, attorney-in-fact		09/28/2006
<u>**</u>Signature of Reporting Person		Date

Explanation of Responses:

*   If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

**   Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1)   The options vested in two installments, one of 60,000 shares on 9/12/02 and one of 40,000 on 9/12/03.

(2)   The options vested in two equal installments of 25,000 shares on 8/20/03 and 8/20/04

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.