

GLADSTONE CAPITAL CORP
 Form 4
 September 28, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 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
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
09/26/2006

Director 10% Owner
 Officer (give title below) Other (specify below)
CIO

MCLEAN, VA 22102

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 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 | |

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| | | | | | | | |
|--------------|------------|---|--------|---|----------|--------|---|
| 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.

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

SEC 1474
(9-02)

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) |
|--|--|--------------------------------------|--|--------------------------------|---|---------|--|-----------------|---|
| | | | | | V | (A) (D) | Date Exercisable | Expiration Date | |
| Common Stock | \$ 17.11 | 09/26/2006 | | M | | 6,000 | <u>(1)</u> | 09/30/2006 | Common Stock 6,000 |
| Common Stock | \$ 17.11 | 09/27/2006 | | M | | 15,100 | <u>(1)</u> | 09/30/2006 | Common Stock 15,100 |
| Common Stock | \$ 17.11 | 09/28/2006 | | M | | 78,900 | <u>(1)</u> | 09/30/2006 | Common Stock 78,900 |
| Common Stock | \$ 19.56 | 09/28/2006 | | M | | 50,000 | <u>(2)</u> | 09/30/2006 | Common Stock 50,000 |

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

__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.

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