GLADSTONE CAPITAL CORP

Form 4

September 25, 2006

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB APPROVAL OMB

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if no longer subject to Section 16. Form 4 or

Check this box

Form 5 obligations may continue. See Instruction

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

1(b).

Common

Common

Stock

Stock

09/21/2006

09/21/2006

(Print or Type Responses)

1. Name and A COULON N	Symbol	STONE C	d Ticker or Trading	5. Relationship of Reporting Person(s) to Issuer (Check all applicable)			
(Last)	(First) (of Earliest T	ransaction	_X_ Director		Owner er (specify
1521 WEST DRIVE, SU	(Month 09/21/	/Day/Year) /2006		Officer (give below)	below)	er (specify	
	4. If An	nendment, D	ate Original	6. Individual or Joint/Group Filing(Check			
	Filed(M	onth/Day/Yea	r)	Applicable Line) _X_ Form filed by One Reporting Person Form filed by More than One Reporting			
MCLEAN,	VA 22102				Person	viole than one Re	porting
(City)	(State)	(Zip) Ta	ble I - Non-l	Derivative Securities Acq	uired, Disposed o	f, or Beneficial	ly Owned
1.Title of	2. Transaction Date	e 2A. Deemed	3.	4. Securities Acquired	5. Amount of	6. Ownership	7. Nature of
Security	(Month/Day/Year)	Execution Date, it	f Transacti	on(A) or Disposed of (D)	Securities	Form: Direct	Indirect
(Instr. 3)		any	Code	(Instr. 3, 4 and 5)	Beneficially	(D) or	Beneficial
		(Month/Day/Year	(Instr. 8)		Owned	Indirect (I)	Ownership
					Following	(Instr. 4)	(Instr. 4)
				(A)	Reported		
				(71)	Transaction(s)		

Code V Amount

3,600

3,600

M

S

or

(D)

D

Price

\$ 22.4 0

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

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(Instr. 3 and 4)

D

D

3,600

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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. Transactic Code (Instr. 8)			6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8 II S ((
				Code V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Common Stock	\$ 19.71	09/21/2006		M	:	3,600	<u>(1)</u>	09/30/2006	Common Stock	3,600	

Reporting Owners

Reporting Owner Name / Address	Relationships				
1 8	Director	10% Owner	Officer	Other	
COULON MAURICE 1521 WESTBRANCH DRIVE SUITE 200 MCLEAN, VA 22102	X				

Signatures

Paula Novara, Attorney-in-fact 09/25/2006

**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 option vested in two equal installments of 5,000 shares each on 9/11/04 and 9/11/05.

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.

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