

Golub Capital BDC, Inc.  
Form 10-Q  
August 08, 2011

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2011

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 814-00794

Golub Capital BDC, Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

27-2326940  
(I.R.S. Employer Identification No.)

150 South Wacker Drive, Suite 800  
Chicago, IL 60606  
(Address of principal executive offices)

(312) 205-5050  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 5, 2011, the Registrant had 21,733,903 shares of common stock, \$0.001 par value, outstanding.

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**Part I. Financial Information**

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Golub Capital BDC, Inc. and Subsidiaries  
 Consolidated Statements of Financial Condition  
 (In thousands, except share and per share data)

|  | June 30,<br>2011<br>(unaudited) | September 30,<br>2010<br>(audited) |
|--|---------------------------------|------------------------------------|
| <b>Assets</b>  |                                 |                                    |
| Investments, at fair value (cost of \$439,661 and \$345,536 respectively)  | \$ 438,593                      | \$ 344,869                         |
| Cash and cash equivalents  | 44,117                          | 61,219                             |
| Restricted cash and cash equivalents   | 29,279                          | 31,771                             |
| Interest receivable  | 2,574                           | 1,956                              |
| Receivable for investments sold  | 17,015                          | -                                  |
| Due from broker  | 11,460                          | -                                  |
| Deferred financing costs   | 3,836                           | 2,748                              |
| Other assets   | 385                             | 200                                |
| <b>Total Assets</b>  | <b>\$ 547,259</b>               | <b>\$ 442,763</b>                  |
| <b>Liabilities</b>   |                                 |                                    |
| Debt   | \$ 222,300                      | \$ 174,000                         |
| Payable for investments purchased  | -                               | 5,328                              |
| Interest payable   | 1,194                           | 1,167                              |
| Management and incentive fees payable  | 1,617                           | 1,008                              |
| Due to broker  | 860                             | -                                  |
| Accounts payable and accrued expenses  | 765                             | 719                                |
| <b>Total Liabilities</b>   | <b>226,736</b>                  | <b>182,222</b>                     |
| <b>Net Assets</b>  |                                 |                                    |
| Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2011 and September 30, 2010                     | -                               | -                                  |
| Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 21,733,903 and 17,712,444 shares issued and outstanding as of June 30, 2011 and September 30, 2010 | 22                              | 18                                 |
| Paid in capital in excess of par   | 319,424                         | 259,690                            |
| Capital distributions in excess of net investment income   | (2,871 )                        | (1,122 )                           |
| Net unrealized appreciation on investments   | 1,991                           | 1,995                              |
| Net realized gains (losses) on investments   | 1,957                           | (40 )                              |
| <b>Total Net Assets</b>  | <b>320,523</b>                  | <b>260,541</b>                     |
| <b>Total Liabilities and Total Net Assets</b>  | <b>\$ 547,259</b>               | <b>\$ 442,763</b>                  |
| Number of common shares outstanding  | 21,733,903                      | 17,712,444                         |
| Net asset value per common share   | \$ 14.75                        | \$ 14.71                           |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Statements of Operations (unaudited)  
(In thousands, except share and per share data)

|   | Three months ended June 30, |                 | Nine months ended June 30, |                  |
|---|-----------------------------|-----------------|----------------------------|------------------|
|   | 2011                        | 2010            | 2011                       | 2010             |
| <b>Investment income</b>  |                             |                 |                            |                  |
| Interest  | \$ 10,071                   | \$ 7,230        | \$ 28,319                  | \$ 25,718        |
| <b>Total investment income</b>                                      | <b>10,071</b>               | <b>7,230</b>    | <b>28,319</b>              | <b>25,718</b>    |
| <b>Expenses</b>   |                             |                 |                            |                  |
| Interest and other debt financing expenses                          | 1,637                       | 591             | 4,681                      | 2,144            |
| Base management fee   | 1,497                       | 903             | 4,122                      | 2,237            |
| Incentive fee   | 113                         | 55              | 525                        | 55               |
| Professional fees relating to registration statement                | -                           | 188             | -                          | 788              |
| Professional fees   | 500                         | 363             | 1,558                      | 734              |
| Administrative service fee  | 224                         | 144             | 611                        | 442              |
| General and administrative expenses                                 | 148                         | 171             | 457                        | 303              |
| <b>Total expenses</b>   | <b>4,119</b>                | <b>2,415</b>    | <b>11,954</b>              | <b>6,703</b>     |
| <b>Net investment income</b>  | <b>5,952</b>                | <b>4,815</b>    | <b>16,365</b>              | <b>19,015</b>    |
| <b>Net gain (loss) on investments</b>                               |                             |                 |                            |                  |
| Net realized gains on investments                                   | 71                          | -               | 1,997                      | -                |
| Net change in unrealized appreciation (depreciation) on investments | 497                         | (100 )          | (4 )                       | 985              |
| <b>Net gain (loss) on investments</b>                               | <b>568</b>                  | <b>(100 )</b>   | <b>1,993</b>               | <b>985</b>       |
| <b>Net increase in net assets resulting from operations</b>         | <b>\$ 6,520</b>             | <b>\$ 4,715</b> | <b>\$ 18,358</b>           | <b>\$ 20,000</b> |
| <b>Per Common Share Data</b>  |                             |                 |                            |                  |
| Basic and diluted earnings per common share(1)                      | \$ 0.31                     | \$ 0.29         | \$ 0.97                    | N/A              |
| Dividends and distributions declared per common share(1)            | \$ 0.32                     | \$ 0.24         | \$ 0.95                    | N/A              |
| Basic and diluted weighted average common shares outstanding(1)     | 21,319,348                  | 16,255,783      | 18,923,395                 | N/A              |

(1)For the nine months ended June 30, 2010, the Company did not have common shares outstanding or an equivalent and therefore earnings per share, dividends and distributions declared per share and weighted average shares outstanding information for this period are not provided.

See Notes to Consolidated Financial Statements.



Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Statements of Changes in Net Assets (unaudited)  
(In thousands, except share data)

|   | Members'<br>Equity | Common Stock<br>Shares | Par<br>Amount | Paid in<br>Capital<br>in Excess<br>of Par | Capital<br>Distributions Net<br>in Excess<br>of Net<br>Investment<br>Income | Unrealized<br>Net<br>Appreciation<br>on<br>Investments | Net<br>Realized<br>Gains<br>(Losses)<br>on<br>Investments | Total<br>Net<br>Assets |
|---|--------------------|------------------------|---------------|---|---|--|---|------------------------|
| Balance at<br>September 30, 2009  | \$ 92,752          | -                      | \$ -          | \$ -                                      | \$ -  | \$ -   | \$ -  | \$ 92,752              |
| Members' equity<br>contributions  | 47,209             | -                      | -             | -   | -   | -  | -   | 47,209                 |
| Members' equity<br>distributions  | (13,530 )          | -                      | -             | -   | -   | -  | -   | (13,530 )              |
| Net increase in net<br>assets resulting from<br>operations for period<br>October 1, 2009 to<br>April 13, 2010 | 15,672             | -                      | -             | -   | -   | -  | -   | 15,672                 |
| Golub Capital BDC<br>Conversion(1)  | 142,103            | 8,984,863              | 9             | 142,094                                   | -   | -  | -   | -                      |
| Issuances of<br>common stock, net<br>of offering and<br>underwriting<br>costs(2)                              | -                  | 8,727,581              | 9             | 117,596                                   | -   | -  | -   | 117,605                |
| Net increase in net<br>assets resulting from<br>operations for period<br>April 14, 2010 to<br>June 30, 2010   | -                  | -                      | -             | -   | 4,270   | 58   | -   | 4,328                  |
| Dividends and<br>distributions  | -                  | -                      | -             | -   | (4,251 )  | -  | -   | (4,251 )               |
| Balance at June 30,<br>2010   | \$ 284,206         | 17,712,444             | \$ 18         | \$ 259,690                                | \$ 19   | \$ 58  | \$ -  | \$ 259,785             |
| Balance at<br>September 30, 2010  | \$ -               | 17,712,444             | \$ 18         | \$ 259,690                                | \$ (1,122 )   | \$ 1,995   | \$ (40 )  | \$ 260,541             |
| Issuance of common<br>stock, net of offering<br>and underwriting<br>costs                                     | -                  | 3,953,257              | 4             | 58,606                                    | -   | -  | -   | 58,610                 |
| Net increase in net<br>assets resulting from<br>operations  | -                  | -                      | -             | -   | 16,365  | (4 )   | 1,997   | 18,358                 |

Distributions to  
stockholders:

|   |      |            |       |            |             |          |          |            |
|---|------|------------|-------|------------|-------------|----------|----------|------------|
| Stock issued in<br>connection with<br>dividend<br>reinvestment plan | -    | 68,202     | -     | 1,128      | -           | -        | -        | 1,128      |
| Dividends and<br>distributions                                      | -    | -          | -     | -          | (18,114)    | -        | -        | (18,114)   |
| Balance at June 30,<br>2011   | \$ - | 21,733,903 | \$ 22 | \$ 319,424 | \$ (2,871 ) | \$ 1,991 | \$ 1,957 | \$ 320,523 |

(1) Immediately prior to the initial public offering, Golub Capital BDC LLC converted from a limited liability company leaving Golub Capital BDC, Inc. as the surviving entity. Golub Capital BDC, Inc. issued 8,984,863 shares of common stock to existing Golub Capital BDC LLC owners in connection with the conversion.

(2) On April 14, 2010, Golub Capital BDC, Inc. priced its initial public offering, selling 7,100,000 shares of its common stock at a public offering price of \$14.50 per share. Concurrent with this offering an additional 1,322,581 shares were sold through a private placement also at \$14.50 per share. On May 19, 2010, an additional 305,000 shares were issued at \$14.50 per share upon exercise of the underwriters' over-allotment option.

See Notes to Consolidated Financial Statements.



Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows (unaudited)  
(In thousands)

|  | Nine Months Ended June 30, |            |
|--|----------------------------|------------|
|  | 2011                       | 2010       |
| Cash flows from operating activities   |                            |            |
| Net increase in net assets resulting from operations   | \$ 18,358                  | \$ 20,000  |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities |                            |            |
| Amortization of deferred financing costs   | 564                        | -          |
| Amortization of discount and premium   | (4,146 )                   | (6,580 )   |
| Net realized (gain) on investments   | (1,997 )                   | -          |
| Net change in unrealized depreciation (appreciation) on investments  | 4                          | (985 )     |
| (Fundings of) proceeds from revolving loans, net   | (1,696 )                   | 4,604      |
| Fundings of investments  | (274,831 )                 | (16,314 )  |
| Proceeds from principal payments and sales of portfolio investments  | 188,943                    | 117,959    |
| Changes in operating assets and liabilities:   |                            |            |
| Interest receivable  | (618 )                     | 452        |
| Receivable for investments sold  | (17,015 )                  | -          |
| Due from broker  | (11,460 )                  | -          |
| Other assets   | (185 )                     | (280 )     |
| Payable for investments purchased  | (5,328 )                   | 885        |
| Interest payable   | 27                         | (44 )      |
| Management and incentive fees payable  | 609                        | 344        |
| Due to broker  | 860                        | -          |
| Accounts payable and accrued expenses  | 46                         | 527        |
| Other payables   | -                          | (565 )     |
| Net cash (used in) provided by operating activities  | (107,865 )                 | 120,003    |
| Cash flows from investing activities   |                            |            |
| Net change in restricted cash and cash equivalents   | 2,492                      | (2,114 )   |
| Net cash provided by (used in) investing activities  | 2,492                      | (2,114 )   |
| Cash flows from financing activities   |                            |            |
| Borrowings on debt   | 48,300                     | -          |
| Repayments of debt   | -                          | (193,542 ) |
| Capitalized debt financing costs   | (1,654 )                   | -          |
| Proceeds from members' equity contributions  | -                          | 47,209     |
| Payments of members' equity distributions  | -                          | (13,530 )  |
| Proceeds from shares sold, net of underwriting costs   | 59,420                     | 119,034    |
| Offering costs paid  | (810 )                     | (1,429 )   |
| Dividends and distributions paid   | (16,985 )                  | (4,251 )   |
| Net cash provided by (used in) financing activities  | 88,271                     | (46,509 )  |
| Net change in cash and cash equivalents  | (17,102 )                  | 71,380     |
| Cash and cash equivalents, beginning of period   | 61,219                     | -          |

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|   |           |           |
|---|-----------|-----------|
| Cash and cash equivalents, end of period                        | \$ 44,117 | \$ 71,380 |
| Supplemental information:                                       |           |           |
| Cash paid during the period for interest                        | \$ 4,089  | \$ 2,188  |
| Obligations of Company paid by members of Golub Capital BDC LLC | -         | 896       |
| Dividends and distributions declared during the period          | (18,114 ) | -         |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments (unaudited)  
June 30, 2011  
(In thousands)

|  | Investment<br>Type   | Spread<br>Above<br>Index(1) | Interest<br>Rate(2) | Maturity<br>Date | Principal<br>Amount | Cost     | Percentage<br>of<br>Net<br>Assets | Fair<br>Value |
|--|----------------------|-----------------------------|---------------------|------------------|---------------------|----------|-----------------------------------|---------------|
| Investments, at fair value                               |                      |                             |                     |                  |                     |          |                                   |               |
| Canada   |                      |                             |                     |                  |                     |          |                                   |               |
| Debt investments   |                      |                             |                     |                  |                     |          |                                   |               |
| Leisure, Amusement,<br>Motion Pictures,<br>Entertainment |                      |                             |                     |                  |                     |          |                                   |               |
| Extreme Fitness, Inc.(6)                                 | Subordinated<br>debt | N/A                         | 14.50 %             | 11/2015          | \$ 2,792            | \$ 2,737 | 0.8 %                             | \$ 2,792      |
| Total Canada (cost \$2,737)                              |                      |                             |                     |                  |                     |          |                                   |               |
|  |                      |                             |                     |                  | \$ 2,792            | \$ 2,737 | 0.8 %                             | \$ 2,792      |
| Fair Value as percentage of Principal Amount             |                      |                             |                     |                  |                     |          |                                   | 100.0 %       |
| United States  |                      |                             |                     |                  |                     |          |                                   |               |
| Debt investments   |                      |                             |                     |                  |                     |          |                                   |               |
| Aerospace and Defense                                    |                      |                             |                     |                  |                     |          |                                   |               |
| Whitcraft LLC  | Subordinated<br>debt | N/A                         | 12.00 %             | 12/2018          | \$ 1,877            | \$ 1,842 | 0.6 %                             | \$ 1,877      |
| Automobile   |                      |                             |                     |                  |                     |          |                                   |               |
| CLP Auto Interior Corporation*                           | Senior loan          | L +<br>4.75%                | 4.94 %              | 06/2013          | 3,163               | 3,163    | 0.9                               | 3,005         |
| Driven Brands, Inc.*                                     | Senior loan          | L +<br>5.00%                | 6.52 %              | 10/2014          | 5,472               | 5,472    | 1.7                               | 5,472         |
|  |                      |                             |                     |                  | 8,635               | 8,635    | 2.6                               | 8,477         |
| Banking  |                      |                             |                     |                  |                     |          |                                   |               |
| Bonddesk Group LLC*                                      | Senior loan          | L +<br>3.00%                | 3.20 %              | 08/2012          | 1,660               | 1,630    | 0.5                               | 1,660         |
| Prommis Solutions Inc.*(5)                               | Senior loan          | P +<br>3.25%                | 5.00 %              | 02/2013          | 1,237               | 1,237    | 0.2                               | 928           |
|  |                      |                             |                     |                  | 2,897               | 2,867    | 0.7                               | 2,588         |
| Beverage, Food and Tobacco                               |                      |                             |                     |                  |                     |          |                                   |               |
| ABP Corporation*   | Senior loan          | P +<br>4.00%                | 8.00 %              | 06/2016          | 4,593               | 4,504    | 1.4                               | 4,524         |
| ABP Corporation(3)                                       | Senior loan          | P +<br>4.00%                | N/A (4)             | 06/2016          | -                   | (8 )     | -                                 | (8 )          |

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|   |             |               |       |   |         |        |        |     |        |
|---|-------------|---------------|-------|---|---------|--------|--------|-----|--------|
| Ameriquel Group, LLC*                   | Senior loan | L +<br>5.00%  | 6.51  | % | 03/2016 | 1,983  | 1,945  | 0.6 | 1,963  |
| Ameriquel Group, LLC*                   | Senior loan | L +<br>7.50%  | 9.00  | % | 03/2016 | 850    | 834    | 0.3 | 842    |
| Atkins Nutrionals, Inc.                 | Second lien | L +<br>11.25% | 13.25 | % | 12/2015 | 5,028  | 4,939  | 1.6 | 5,028  |
| Bertucci's Corporation*                 | Second lien | L +<br>11.30% | 14.30 | % | 07/2012 | 1,948  | 1,919  | 0.6 | 1,948  |
| Lone Star Beef Processors, L.P.*        | Senior loan | L +<br>4.00%  | 4.41  | % | 05/2013 | 3,490  | 3,475  | 1.1 | 3,490  |
| Noodles & Company*                      | Senior loan | L +<br>4.50%  | 5.75  | % | 02/2016 | 1,625  | 1,610  | 0.5 | 1,625  |
| Richelieu Foods, Inc.*                  | Senior loan | L +<br>5.00%  | 6.75  | % | 11/2015 | 2,253  | 2,200  | 0.7 | 2,253  |
| Richelieu Foods, Inc.                   | Senior loan | P +<br>3.25%  | 7.25  | % | 11/2015 | 63     | 48     | -   | 63     |
|   |             |               |       |   |         | 21,833 | 21,466 | 6.8 | 21,728 |
| Building and Real Estate                |             |               |       |   |         |        |        |     |        |
| American Fire Protection Group, Inc.(5) | Senior loan | L +<br>6.75%  | 9.00  | % | 06/2011 | 4,422  | 4,176  | 0.8 | 2,432  |
| Architectural Testing, Inc.*            | Senior loan | L +<br>6.50%  | 9.50  | % | 05/2013 | 6,514  | 6,514  | 2.0 | 6,514  |
| ASP PDM Acquisition Co. LLC*            | Senior loan | L +<br>2.75%  | 3.06  | % | 12/2013 | 479    | 455    | 0.1 | 440    |
| Infiltrator Systems, Inc.*              | Senior loan | L +<br>5.50%  | 8.50  | % | 09/2012 | 7,568  | 7,388  | 2.4 | 7,568  |
| ITEL Laboratories, Inc.*                | Senior loan | L +<br>5.75%  | 4.50  | % | 03/2014 | 7,682  | 7,596  | 2.4 | 7,682  |
| KHKI Acquisition, Inc.                  | Senior loan | L +<br>6.00%  | 8.50  | % | 03/2012 | 178    | 177    | 0.1 | 172    |
| KHKI Acquisition, Inc.                  | Senior loan | L +<br>6.00%  | 8.50  | % | 03/2013 | 2,600  | 2,597  | 0.6 | 2,080  |
| Tecta America Corp.                     | Senior loan | P +<br>5.75%  | 9.00  | % | 03/2014 | 1,667  | 1,667  | 0.4 | 1,411  |
|   |             |               |       |   |         | 31,110 | 30,570 | 8.8 | 28,299 |
| Cargo Transport                         |             |               |       |   |         |        |        |     |        |
| TMW Systems, Inc.*                      | Senior loan | L +<br>4.25%  | 5.75  | % | 08/2017 | 2,341  | 2,307  | 0.7 | 2,306  |
| Chemicals, Plastics and Rubber          |             |               |       |   |         |        |        |     |        |
| Flint Trading, Inc.                     | Senior loan | L +<br>7.25%  | 8.75  | % | 06/2016 | 12,512 | 12,299 | 3.8 | 12,324 |
| Flint Trading, Inc.                     | Senior loan | L +<br>7.25%  | 8.75  | % | 06/2016 | 352    | 342    | 0.1 | 342    |
| Syrgis Holdings, Inc.*                  | Senior loan | L +<br>5.50%  | 7.75  | % | 08/2012 | 221    | 215    | 0.1 | 221    |
| Syrgis Holdings, Inc.*                  | Senior loan | L +<br>6.00%  | 8.25  | % | 08/2013 | 864    | 832    | 0.3 | 864    |
| Syrgis Holdings, Inc.*                  | Senior loan |               | 10.75 | % | 02/2014 | 474    | 455    | 0.1 | 474    |

L +  
8.50%

|        |        |     |        |
|--------|--------|-----|--------|
| 14,423 | 14,143 | 4.4 | 14,225 |
|--------|--------|-----|--------|

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments (unaudited) - (Continued)  
June 30, 2011  
(In thousands)

|   | Investment<br>Type | Spread            |                     |         | Maturity<br>Date | Principal<br>Amount | Cost | Percentage<br>of<br>Total<br>Net<br>Assets |        | Fair<br>Value |
|---|--------------------|-------------------|---------------------|---------|------------------|---------------------|------|--|--------|---------------|
|   |                    | Above<br>Index(1) | Interest<br>Rate(2) |         |                  |                     |      |  |        |               |
| <b>Containers, Packaging and Glass</b>        |                    |                   |                     |         |                  |                     |      |  |        |               |
| Fort Dearborn Company*                        | Senior loan        | L +<br>4.75%      | 6.74 %              | 08/2015 | \$ 53            | \$ 53               | -    | %  | \$ 53  |               |
| Fort Dearborn Company*                        | Senior loan        | L +<br>5.25%      | 7.26 %              | 08/2016 | 120              | 118                 | -    |  | 120    |               |
| Fort Dearborn Company*                        | Senior loan        | L +<br>4.75%      | 6.50 %              | 08/2015 | 1,493            | 1,468               | 0.5  |  | 1,493  |               |
| Fort Dearborn Company*                        | Senior loan        | L +<br>5.25%      | 7.00 %              | 08/2016 | 3,266            | 3,210               | 1.0  |  | 3,266  |               |
| Industrial Container Services, LLC*           | Senior loan        | L +<br>4.00%      | 5.75 %              | 09/2011 | 106              | 106                 | -    |  | 106    |               |
|   |                    |                   |                     |         | 5,038            | 4,955               | 1.5  |  | 5,038  |               |
| <b>Diversified Conglomerate Manufacturing</b> |                    |                   |                     |         |                  |                     |      |  |        |               |
| Heat Transfer Parent, Inc.*                   | Senior loan        | L+<br>3.00%       | 3.19 %              | 06/2013 | 1,790            | 1,742               | 0.5  |  | 1,682  |               |
| Neptco Inc.(6)                                | Senior loan        | P +<br>5.00%      | 8.25 %              | 03/2013 | 4,145            | 4,044               | 1.2  |  | 3,813  |               |
| OnCore Manufacturing LLC*                     | Senior loan        | L +<br>8.00%      | 11.00 %             | 06/2016 | 3,588            | 3,523               | 1.1  |  | 3,588  |               |
| Pasternack Enterprises, Inc.*                 | Senior loan        | L +<br>4.50%      | 6.00 %              | 02/2014 | 4,467            | 4,372               | 1.4  |  | 4,467  |               |
| Tecomet Inc.(3)                               | Senior loan        | L +<br>5.25%      | N/A (4)             | 12/2015 | -                | (7 )                | -    |  | -      |               |
| Tecomet Inc.*                                 | Senior loan        | L +<br>5.25%      | 7.00 %              | 12/2015 | 3,863            | 3,828               | 1.2  |  | 3,863  |               |
| Vintage Parts, Inc.*                          | Senior loan        | L +<br>5.50%      | 5.80 %              | 12/2013 | 6,840            | 6,768               | 2.6  |  | 6,635  |               |
| Vintage Parts, Inc.*                          | Senior loan        | L +<br>6.00%      | 8.50 %              | 12/2013 | 95               | 95                  | -    |  | 95     |               |
| Vintage Parts, Inc.*                          | Senior loan        | L +<br>8.00%      | 9.75 %              | 12/2013 | 1,430            | 1,473               | 0.5  |  | 1,473  |               |
|   |                    |                   |                     |         | 26,218           | 25,838              | 8.5  |  | 25,616 |               |
| <b>Diversified Conglomerate Service</b>       |                    |                   |                     |         |                  |                     |      |  |        |               |
| Benetech, Inc.*                               | Senior loan        | L +<br>5.00%      | 5.19 %              | 12/2013 | 8,845            | 8,627               | 2.8  |  | 8,845  |               |

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|  |                   |               |       |     |         |        |        |      |        |
|--|-------------------|---------------|-------|-----|---------|--------|--------|------|--------|
| CIBT Holdings(3)   | Senior loan       | L +<br>5.00%  | N/A   | (4) | 12/2015 | -      | (4 )   | -    | -      |
| CIBT Holdings  | Senior loan       | L +<br>5.00%  | 6.75  | %   | 12/2015 | 1,069  | 1,049  | 0.3  | 1,069  |
| Compass Group  |                   |               |       |     |         |        |        |      |        |
| Diversified Holdings, LLC*                                   | Senior loan       | L +<br>4.00%  | 4.27  | %   | 12/2013 | 4,474  | 4,474  | 1.4  | 4,474  |
| Cortz, Inc.*   | Senior loan       | L +<br>5.50%  | 7.00  | %   | 03/2014 | 6,771  | 6,728  | 2.1  | 6,771  |
| EAG, Inc.*   | Senior loan       | L +<br>5.00%  | 7.25  | %   | 07/2015 | 3,881  | 3,816  | 1.2  | 3,881  |
| Evolution1, Inc.(3)  | Senior loan       | L +<br>4.75%  | N/A   | (4) | 06/2016 | -      | (25 )  | -    | (25 )  |
| Evolution1, Inc.(3)  | Senior loan       | L +<br>4.75%  | N/A   | (4) | 06/2016 | -      | (5 )   | -    | (5 )   |
| Evolution1, Inc.*  | Senior loan       | L +<br>4.75%  | 7.00  | %   | 06/2016 | 4,666  | 4,596  | 1.4  | 4,596  |
| NS Holdings, Inc.*(3)  | Senior loan       | L +<br>6.25%  | N/A   | (4) | 06/2015 | -      | (6 )   | -    | -      |
| NS Holdings, Inc.*   | Senior loan       | L +<br>6.29%  | 7.69  | %   | 06/2015 | 2,168  | 2,133  | 0.7  | 2,168  |
| Royall & Company*  | Senior loan       | L +<br>5.00%  | 6.50  | %   | 11/2015 | 780    | 766    | 0.2  | 780    |
| The Service Companies, Inc.*                                 | Senior loan       | L +<br>6.50%  | 9.00  | %   | 03/2014 | 5,628  | 5,628  | 1.8  | 5,628  |
| Sumtotal Systems, Inc.*                                      | Senior loan       | L +<br>4.75%  | 7.00  | %   | 12/2015 | 539    | 532    | 0.2  | 539    |
|  |                   |               |       |     |         | 38,821 | 38,309 | 12   | 38,721 |
| Diversified Natural Resources, Precious Metals, and Minerals |                   |               |       |     |         |        |        |      |        |
| Metal Spinners, Inc.*  | Senior loan       | L +<br>7.00%  | 10.00 | %   | 12/2014 | 1,779  | 1,726  | 0.6  | 1,779  |
| Metal Spinners, Inc.*(6)                                     | Senior loan       | L +<br>11.00% | 14.00 | %   | 12/2014 | 3,136  | 3,050  | 1.0  | 3,136  |
|  |                   |               |       |     |         | 4,915  | 4,776  | 1.6  | 4,915  |
| Electronics  |                   |               |       |     |         |        |        |      |        |
| Cape Electrical Supply LLC*(6)                               | Senior loan       | L +<br>6.25%  | 7.50  | %   | 11/2013 | 2,088  | 2,001  | 0.7  | 2,088  |
| Entrust, Inc.*   | Senior loan       | L +<br>7.62%  | 9.15  | %   | 03/2017 | 4,382  | 4,320  | 1.4  | 4,382  |
| Entrust, Inc.*   | Senior loan       | L +<br>7.60%  | 9.13  | %   | 03/2017 | 10,226 | 10,080 | 3.2  | 10,226 |
| Syncsort Incorporated(3)                                     | Senior loan       | L +<br>5.50%  | N/A   | (4) | 03/2015 | -      | (6 )   | -    | -      |
| Syncsort Incorporated*                                       | Senior loan       | L +<br>5.50%  | 7.50  | %   | 03/2015 | 9,101  | 9,035  | 2.8  | 9,101  |
| Time-O-Matic, Inc.(6)  | Subordinated debt | N/A           | 13.25 | %   | 10/2012 | 11,379 | 11,153 | 3.5  | 11,152 |
|  |                   |               |       |     |         | 37,176 | 36,583 | 11.6 | 36,949 |
| Finance  |                   |               |       |     |         |        |        |      |        |

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|                        |             | L +   |       |   |         |       |       |     |       |
|------------------------|-------------|-------|-------|---|---------|-------|-------|-----|-------|
| Pillar Processing LLC* | Senior loan | 5.50% | 5.75  | % | 11/2013 | 3,970 | 3,961 | 1.2 | 3,771 |
| Pillar Processing LLC* | Senior loan | N/A   | 14.50 | % | 05/2014 | 3,125 | 3,125 | 0.9 | 2,969 |
|                        |             |       |       |   |         | 7,095 | 7,086 | 2.1 | 6,740 |

See Notes to Consolidated Financial Statements.



Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments (unaudited) - (Continued)  
June 30, 2011  
(In thousands)

|  | Investment<br>Type | Spread            |                     |     | Maturity<br>Date | Principal<br>Amount | Cost    | Percentage<br>of<br>Total<br>Net<br>Assets | Fair<br>Value |
|--|--------------------|-------------------|---------------------|-----|------------------|---------------------|---------|--|---------------|
|  |                    | Above<br>Index(1) | Interest<br>Rate(2) |     |                  |                     |         |  |               |
| Healthcare, Education and Childcare        |                    |                   |                     |     |                  |                     |         |  |               |
| ADG, LLC(3)                                | Senior loan        | L +<br>4.75%      | N/A                 | (4) | 03/2014          | \$ -                | \$ (5 ) | - %  | \$ -          |
| ADG, LLC                                   | Senior loan        | P +<br>3.25%      | 7.00                | %   | 03/2014          | 22                  | 18      | -  | 22            |
| ADG, LLC*                                  | Senior loan        | L +<br>4.75%      | 6.25                | %   | 03/2014          | 3,433               | 3,433   | 1.1  | 3,433         |
| Advanced Pain Management Holdings, Inc.(6) |                    |                   |                     |     |                  |                     |         |  |               |
|  | Subordinated debt  | N/A               | 14.00               | %   | 06/2016          | 7,759               | 7,584   | 2.4  | 7,759         |
| Campus Management Acquisition Corp.        | Second lien        | L +<br>9.07%      | 10.82               | %   | 09/2015          | 5,461               | 5,368   | 1.7  | 5,461         |
| CHS/Community Health Systems *             | Senior loan        | L +<br>2.25%      | 2.50                | %   | 07/2014          | 520                 | 515     | 0.2  | 503           |
| Community Hospices of America, Inc.(3)     | Senior loan        | L +<br>5.50%      | N/A                 | (4) | 12/2015          | -                   | (7 )    | -  | -             |
| Community Hospices of America, Inc.*       | Senior loan        | L +<br>5.50%      | 7.25                | %   | 12/2015          | 5,302               | 5,207   | 1.7  | 5,302         |
| Community Hospices of America, Inc.(6)     | Subordinated debt  | L +<br>11.75%     | 13.75               | %   | 06/2016          | 1,810               | 1,769   | 0.6  | 1,810         |
| DDC Center Inc.*                           | Senior loan        | L +<br>6.50%      | 9.50                | %   | 10/2014          | 8,917               | 8,917   | 2.7  | 8,738         |
| Delta Educational Systems, Inc.*           | Senior loan        | L +<br>4.00%      | 6.00                | %   | 06/2012          | 3,555               | 3,485   | 1.1  | 3,555         |
| Den-Mat Holdings, LLC(6)                   | Senior loan        | L +<br>7.50%      | 8.50                | %   | 06/2014          | 3,394               | 3,321   | 0.5  | 1,697         |
| Ernest Healthcare, Inc.*                   | Senior loan        | L +<br>4.75%      | 6.25                | %   | 05/2016          | 2,546               | 2,522   | 0.8  | 2,521         |
| Excelligence Learning Corporation*         | Second lien        | L +<br>7.00%      | 7.19                | %   | 11/2013          | 1,600               | 1,553   | 0.5  | 1,600         |
| G & H Wire Company, Inc.(3)                | Senior loan        | L +<br>5.50%      | N/A                 | (4) | 12/2015          | -                   | (11 )   | -  | -             |
| G & H Wire Company, Inc.*                  | Senior loan        | L +<br>5.50%      | 7.25                | %   | 12/2015          | 5,850               | 5,748   | 1.8  | 5,850         |
| Hospitalists Management Group, LLC(3)      | Senior loan        | L +<br>4.50%      | N/A                 | (4) | 05/2017          | -                   | (13 )   | -  | (14 )         |
|  | Senior loan        |                   | N/A                 | (4) | 05/2017          | -                   | (13 )   | -  | (14 )         |

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|   |                   |       |       |     |         |        |        |      |        |
|---|-------------------|-------|-------|-----|---------|--------|--------|------|--------|
| Hospitalists Management Group, LLC(3)                         |                   | L +   |       |     |         |        |        |      |        |
|   |                   | 4.50% |       |     |         |        |        |      |        |
| Hospitalists Management Group, LLC                            | Senior loan       | 4.50% | 6.75  | %   | 05/2017 | 4,185  | 4,083  | 1.3  | 4,122  |
| The Hygenic Corporation*                                      | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 2.50% | 2.69  | %   | 04/2013 | 2,464  | 2,423  | 0.8  | 2,415  |
| Integrated DNA Technologies, Inc.(6)                          | Subordinated debt | N/A   | 14.00 | %   | 04/2015 | 3,800  | 3,748  | 1.2  | 3,800  |
| Integrated DNA Technologies, Inc.                             | Subordinated debt | N/A   | 14.00 | %   | 04/2015 | 450    | 444    | 0.1  | 450    |
| Integrated DNA Technologies, Inc.(3)                          | Subordinated debt | N/A   | N/A   | (4) | 04/2015 | -      | (6 )   | -    | -      |
| Maverick Healthcare Group, LLC *                              | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.50% | 7.25  | %   | 12/2016 | 2,268  | 2,234  | 0.7  | 2,246  |
| NeuroTherm, Inc.  | Senior loan       | P +   |       |     |         |        |        |      |        |
|   |                   | 4.00% | 7.25  | %   | 02/2016 | 257    | 249    | 0.1  | 257    |
| NeuroTherm, Inc.*   | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.00% | 6.50  | %   | 02/2016 | 1,728  | 1,692  | 0.5  | 1,728  |
| Reliant Pro ReHab, LLC*                                       | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 4.75% | 7.00  | %   | 06/2016 | 3,841  | 3,774  | 1.2  | 3,774  |
| Reliant Pro ReHab, LLC(3)                                     | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 4.75% | N/A   | (4) | 06/2016 | -      | (22 )  | -    | (31 )  |
| Reliant Pro ReHab, LLC(3)                                     | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 4.75% | N/A   | (4) | 06/2016 | -      | (10 )  | -    | (7 )   |
| Sterilmed, Inc.*  | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 8.50% | 10.00 | %   | 07/2016 | 3,087  | 3,087  | 1.0  | 3,087  |
| Sterilmed, Inc.(3)  | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 6.25% | N/A   | (4) | 07/2015 | -      | (8 )   | -    | -      |
| Surgical Information Systems, LLC                             | Second lien       | L +   |       |     |         |        |        |      |        |
|   |                   | 8.20% | 9.70  | %   | 12/2015 | 5,143  | 5,051  | 1.6  | 5,143  |
| TIDI Products, LLC*   | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.00% | 6.57  | %   | 05/2015 | 2,363  | 2,363  | 0.7  | 2,363  |
| TIDI Products, LLC(3)   | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.00% | N/A   | (4) | 05/2015 | -      | (5 )   | -    | -      |
| United Surgical Partners International, Inc.*                 | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 2.00% | 2.19  | %   | 04/2014 | 1,518  | 1,518  | 0.5  | 1,490  |
|   |                   |       |       |     |         | 81,273 | 80,006 | 24.8 | 79,060 |
| Home and Office Furnishings, Housewares, and Durable Consumer |                   |       |       |     |         |        |        |      |        |
| Amerifile, LLC*   | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.00% | 6.50  | %   | 03/2016 | 4,460  | 4,398  | 1.4  | 4,460  |
| Top Knobs USA, Inc.*  | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.75% | 7.76  | %   | 11/2016 | 1,211  | 1,189  | 0.4  | 1,211  |
| Zenith Products Corporation*                                  | Senior loan       | L +   |       |     |         |        |        |      |        |
|   |                   | 5.00% | 5.44  | %   | 09/2013 | 4,279  | 4,219  | 1.3  | 4,237  |
|   |                   |       |       |     |         | 9,950  | 9,806  | 3.1  | 9,908  |
| Leisure, Amusement, Motion Pictures and Entertainment         |                   |       |       |     |         |        |        |      |        |

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|                                   |                   |              |       |     |         |        |        |     |        |
|-----------------------------------|-------------------|--------------|-------|-----|---------|--------|--------|-----|--------|
| Competitor Group, Inc.            | Senior loan       | L +<br>7.50% | 9.50  | %   | 09/2015 | 2,139  | 2,043  | 0.7 | 2,139  |
| Competitor Group, Inc.(3)         | Senior loans      | L +<br>7.50% | N/A   | (4) | 09/2015 | -      | (20 )  | -   | -      |
| Competitor Group, Inc.*           | Senior loan       | L +<br>7.50% | 9.50  | %   | 09/2015 | 7,885  | 7,720  | 2.5 | 7,885  |
| Octane Fitness, LLC*              | Senior loan       | L +<br>4.60% | 4.87  | %   | 03/2013 | 4,675  | 4,582  | 1.4 | 4,582  |
| Optronics Product Company, Inc.*  | Senior loan       | L +<br>4.50% | 5.50  | %   | 12/2012 | 85     | 82     | -   | 85     |
| Optronics Product Company, Inc.*  | Second lien       | L +<br>7.25% | 8.25  | %   | 12/2013 | 2,489  | 2,403  | 0.8 | 2,489  |
| Premier Yachts, Inc.(3)           | Senior loan       | L +<br>5.50% | N/A   | (4) | 12/2015 | -      | (3 )   | -   | -      |
| Premier Yachts, Inc.*             | Senior loan       | L +<br>5.50% | 7.00  | %   | 12/2015 | 761    | 747    | 0.2 | 761    |
| Pride Manufacturing Company, LLC* | Senior loan       | L +<br>5.50% | 7.25  | %   | 11/2015 | 819    | 804    | 0.3 | 819    |
|                                   |                   |              |       |     |         | 18,853 | 18,358 | 5.9 | 18,760 |
| Oil and Gas                       |                   |              |       |     |         |        |        |     |        |
| Tri-County Petroleum, Inc.(6)     | Subordinated debt | N/A          | 14.00 | %   | 08/2015 | 7,206  | 7,069  | 2.2 | 7,062  |
| Tri-County Petroleum, Inc.*       | Senior loan       | L +<br>5.00% | 6.50  | %   | 02/2015 | 6,496  | 6,366  | 2.0 | 6,431  |
| Tri-County Petroleum, Inc.*       | Senior loan       | L +<br>4.50% | 6.02  | %   | 02/2015 | 3,123  | 3,093  | 1.0 | 3,092  |
|                                   |                   |              |       |     |         | 16,825 | 16,528 | 5.2 | 16,585 |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments (unaudited) - (Continued)  
June 30, 2011  
(In thousands)

|   | Investment        | Spread       | Interest | Maturity | Principal |          | Percentage | Fair     |
|---|-------------------|--------------|----------|----------|-----------|----------|------------|----------|
|   | Type              | Above        | Rate(2)  | Date     | Amount    | Cost     | of         | Value    |
|   |                   | Index(1)     |          |          |           |          | Total      |          |
|   |                   |              |          |          |           |          | Net        |          |
|   |                   |              |          |          |           |          | Assets     |          |
| <b>Personal and Non-Durable Consumer Products</b> |                   |              |          |          |           |          |            |          |
| Dr. Miracles, Inc.*                               | Senior loan       | L +<br>5.50% | 8.00 %   | 03/2014  | \$ 3,449  | \$ 3,418 | 1.0 %      | \$ 3,311 |
| Massage Envy, LLC(3)                              | Senior loan       | L +<br>5.00% | N/A (4)  | 06/2016  | -         | (1 )     | -          | (1 )     |
| Massage Envy, LLC                                 | Senior loan       | L +<br>5.00% | 6.50 %   | 06/2016  | 6,850     | 6,770    | 2.0        | 6,769    |
| MTS Medication Technologies, Inc.                 | Senior loan       | P +<br>4.25% | 7.50 %   | 06/2016  | 18        | 17       | -          | 17       |
| MTS Medication Technologies, Inc.*                | Senior loan       | L +<br>5.50% | 7.00 %   | 06/2016  | 1,605     | 1,593    | 0.5        | 1,593    |
| Strategic Partners, Inc.(6)                       | Subordinated debt | N/A          | 14.00 %  | 02/2017  | 9,636     | 9,403    | 3.0        | 9,636    |
|   |                   |              |          |          | 21,558    | 21,200   | 6.5        | 21,325   |
| <b>Personal, Food and Miscellaneous Services</b>  |                   |              |          |          |           |          |            |          |
| Affordable Care Inc.(3)                           | Senior loan       | L +<br>5.00% | N/A (4)  | 12/2015  | -         | (8 )     | -          | -        |
| Affordable Care Inc.*                             | Senior loan       | L +<br>5.00% | 6.50 %   | 12/2015  | 3,696     | 3,644    | 1.2        | 3,696    |
| Automatic Bar Controls, Inc.*                     | Senior loan       | L +<br>5.75% | 7.25 %   | 03/2017  | 1,140     | 1,123    | 0.4        | 1,122    |
| Automatic Bar Controls, Inc.(3)                   | Senior loan       | L +<br>5.75% | N/A (4)  | 03/2018  | -         | (2 )     | -          | (2 )     |
| Ignite Restaurant Group, Inc.                     | Senior loan       | L +<br>4.75% | 6.25 %   | 03/2016  | 6,675     | 6,580    | 2.1        | 6,608    |
| NVA Acquisition Company                           | Senior loan       | L +<br>4.25% | 5.50 %   | 03/2017  | 1,905     | 1,886    | 0.6        | 1,886    |
| Restaurant Technologies, Inc.(3)                  | Senior loan       | L +<br>4.75% | N/A (4)  | 03/2018  | -         | (2 )     | -          | -        |
| Restaurant Technologies, Inc.*                    | Senior loan       | L +<br>4.75% | 7.00 %   | 03/2019  | 1,119     | 1,108    | 0.3        | 1,108    |
| Vetcor Professional Practices LLC(3)              | Senior loan       | L +<br>7.25% | N/A (4)  | 02/2015  | -         | (173 )   | -          | -        |

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|                                    |             |              |       |     |         |        |        |      |        |
|------------------------------------|-------------|--------------|-------|-----|---------|--------|--------|------|--------|
| Vetcor Professional Practices LLC* | Senior loan | L +<br>7.25% | 9.25  | %   | 02/2015 | 1,970  | 1,970  | 0.6  | 1,970  |
|                                    |             |              |       |     |         | 16,505 | 16,126 | 5.2  | 16,388 |
| Printing and Publishing            |             |              |       |     |         |        |        |      |        |
| Market Track, LLC(3)               | Senior loan | L +<br>7.75% | N/A   | (4) | 11/2015 | -      | (21 )  | -    | -      |
| Market Track, LLC*                 | Senior loan | L +<br>7.75% | 9.25  | %   | 11/2015 | 12,934 | 12,714 | 3.9  | 12,934 |
| Monotype Imaging, Inc.*            | Senior loan | L +<br>3.75% | 3.95  | %   | 07/2012 | 1,003  | 979    | 0.3  | 1,003  |
| Trade Service Company, LLC(3)      | Senior loan | L +<br>5.25% | N/A   | (4) | 06/2013 | -      | (1 )   | -    | -      |
| Trade Service Company, LLC*        | Senior loan | L +<br>5.25% | 6.75  | %   | 06/2013 | 1,419  | 1,414  | 0.4  | 1,419  |
| Trade Service Company, LLC*(6)     | Senior loan | N/A          | 14.00 | %   | 06/2013 | 765    | 762    | 0.2  | 765    |
|                                    |             |              |       |     |         | 16,121 | 15,847 | 4.8  | 16,121 |
| Retail Stores                      |             |              |       |     |         |        |        |      |        |
| Chuy's OPCO, Inc.(3)               | Senior loan | L +<br>7.00% | N/A   | (4) | 05/2016 | -      | (3 )   | -    | (3 )   |
| Chuy's OPCO, Inc.(3)               | Senior loan | L +<br>7.00% | N/A   | (4) | 05/2016 | -      | (22 )  | -    | (22 )  |
| Chuy's OPCO, Inc.                  | Senior loan | L +<br>7.00% | 10.00 | %   | 05/2016 | 8,639  | 8,449  | 2.6  | 8,553  |
| DTLR, Inc.                         | Senior loan | L +<br>8.00% | 11.00 | %   | 12/2015 | 5,936  | 5,805  | 1.9  | 5,936  |
| Fasteners for Retail, Inc.*        | Senior loan | L +<br>4.50% | 4.69  | %   | 12/2012 | 1,964  | 1,884  | 0.6  | 1,940  |
| The Marshall Retail Group, LLC*    | Senior loan | L +<br>4.50% | 7.25  | %   | 04/2013 | 2,650  | 2,580  | 0.8  | 2,650  |
| The Marshall Retail Group, LLC*    | Second lien | L +<br>6.50% | 9.25  | %   | 04/2013 | 2,100  | 2,057  | 0.7  | 2,100  |
| Rubio's Restaurants, Inc.*         | Senior loan | L +<br>7.00% | 8.75  | %   | 06/2014 | 9,555  | 9,391  | 3.0  | 9,555  |
| Vision Source L.P.*                | Senior loan | L +<br>6.75% | 8.00  | %   | 06/2015 | 13,755 | 13,481 | 4.2  | 13,549 |
| Vision Source L.P.                 | Senior loan | L +<br>6.75% | 8.00  | %   | 06/2015 | 142    | 130    | -    | 130    |
|                                    |             |              |       |     |         | 44,741 | 43,752 | 13.8 | 44,388 |
| Telecommunications                 |             |              |       |     |         |        |        |      |        |
| Hosting.com (WCP/32 Points)        | Senior loan | L +<br>6.75% | N/A   | (4) | 05/2014 | -      | -      | -    | -      |
| Hosting.com (WCP/32 Points)*       | Senior loan | L +<br>6.75% | 8.25  | %   | 05/2014 | 2,145  | 2,145  | 0.6  | 2,145  |
| West Corporation                   | Senior loan | L +<br>2.00% | 2.19  | %   | 10/2012 | 1,600  | 1,447  | 0.4  | 1,400  |
|                                    |             |              |       |     |         | 3,745  | 3,592  | 1.0  | 3,545  |
| Textiles and Leather               |             |              |       |     |         |        |        |      |        |
| Gammill, Inc.*                     | Senior loan |              | 9.50  | %   | 09/2011 | 197    | 196    | 0.1  | 197    |

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|                                      |             |       |       |   |         |            |            |         |            |
|--------------------------------------|-------------|-------|-------|---|---------|------------|------------|---------|------------|
|                                      |             | L +   |       |   |         |            |            |         |            |
|                                      |             | 7.50% |       |   |         |            |            |         |            |
|                                      |             | L +   |       |   |         |            |            |         |            |
| Gammill, Inc.*                       | Senior loan | 8.00% | 10.00 | % | 09/2012 | 4,091      | 4,037      | 1.3     | 4,091      |
|                                      |             |       |       |   |         | 4,288      | 4,233      | 1.4     | 4,288      |
| Total debt investments United States |             |       |       |   |         |            |            |         |            |
| (cost \$428,825)                     |             |       |       |   |         |            |            |         |            |
|                                      |             |       |       |   |         | \$ 436,238 | \$ 428,825 | 133.7 % | \$ 427,847 |
| Fair Value as a percentage of        |             |       |       |   |         |            |            |         |            |
| Principal Amount                     |             |       |       |   |         |            |            |         |            |
|                                      |             |       |       |   |         |            |            | 98.1    | %          |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments (unaudited) - (Continued)  
June 30, 2011  
(In thousands)

|   | Investment<br>Type | Spread            |                     | Maturity<br>Date | Principal<br>Amount<br>/<br>Shares | Percentage<br>of<br>Total<br>Net<br>Assets | Fair<br>Value |        |
|---|--------------------|-------------------|---------------------|------------------|------------------------------------|--|---------------|--------|
|   |                    | Above<br>Index(1) | Interest<br>Rate(2) |                  |                                    |  |               |        |
| <b>Equity investments</b>                             |                    |                   |                     |                  |                                    |  |               |        |
| <b>Aerospace and<br/>Defense</b>                      |                    |                   |                     |                  |                                    |  |               |        |
| Whitcraft LLC   | Common<br>stock    | N/A               | N/A                 | N/A              | 1                                  | \$ 670                                     | 0.2 %         | \$ 670 |
| Whitcraft LLC   | Warrant            | N/A               | N/A                 | N/A              | -                                  | -  | -             | 117    |
|   |                    |                   |                     |                  |                                    | 670  | 0.2           | 787    |
| <b>Beverage, Food and<br/>Tobacco</b>                 |                    |                   |                     |                  |                                    |  |               |        |
| Atkins Nutrionals,<br>Inc.                            | LLC<br>interest    | N/A               | N/A                 | N/A              | 57                                 | 838  | 0.3           | 838    |
| Richelieu Foods, Inc.                                 | LP interest        | N/A               | N/A                 | N/A              | 220                                | 220  | 0.1           | 220    |
|   |                    |                   |                     |                  |                                    | 1,058                                      | 0.4           | 1,058  |
| <b>Diversified<br/>Conglomerate<br/>Manufacturing</b> |                    |                   |                     |                  |                                    |  |               |        |
| Neptco Inc.   | Warrant            | N/A               | N/A                 | N/A              | -                                  | -  | -             | -      |
| <b>Healthcare,<br/>Education and<br/>Childcare</b>    |                    |                   |                     |                  |                                    |  |               |        |
| Advanced Pain<br>Management<br>Holdings, Inc.         | Common<br>stock    | N/A               | N/A                 | N/A              | 67                                 | 67   | -             | 67     |
| Advanced Pain<br>Management<br>Holdings, Inc.         | Preferred<br>stock | N/A               | N/A                 | N/A              | 13                                 | 1,273                                      | 0.4           | 1,273  |
| G & H Wire<br>Company, Inc                            | LP Interest        | N/A               | N/A                 | N/A              | -                                  | 102  | -             | 102    |
| Hospitalists<br>Management Group,<br>LLC              | Common<br>stock    | N/A               | N/A                 | N/A              | -                                  | 37   | -             | 37     |
| NeuroTherm, Inc.                                      | Common<br>stock    | N/A               | N/A                 | N/A              | 1                                  | 568  | 0.2           | 568    |
| Reliant Pro ReHab,<br>LLC                             | Preferred<br>stock | N/A               | N/A                 | N/A              | 2                                  | 264  | 0.1           | 264    |
| Surgical Information<br>Systems, LLC                  | Common<br>stock    | N/A               | N/A                 | N/A              | 4                                  | 414  | 0.1           | 414    |

|   |                   |     |     |         |     |            |          |            |
|---|-------------------|-----|-----|---------|-----|------------|----------|------------|
|   |                   |     |     |         |     | 2,725      | 0.8      | 2,725      |
| Home and Office Furnishings, Housewares, and Durable Consumer |                   |     |     |         |     |            |          |            |
| Top Knobs USA, Inc.   | Common stock      | N/A | N/A | N/A     | 3   | 73         | -        | 73         |
| Personal and Non-Durable Consumer Products                    |                   |     |     |         |     |            |          |            |
| Strategic Partners, Inc.                                      | LLC interest      | N/A | N/A | N/A     | 169 | 1,691      | 0.5      | 1,691      |
| Retail Stores   |                   |     |     |         |     |            |          |            |
| Rubio's Restaurants, Inc.                                     | Preferred stock   | N/A | N/A | N/A     | 199 | 945        | 0.3      | 945        |
| Vision Source L.P.  | Common stock      | N/A | N/A | N/A     | 9   | 937        | 0.3      | 937        |
|   |                   |     |     |         |     | 1,882      | 0.6      | 1,882      |
| Total equity investments United States (cost \$8,099)         |                   |     |     |         |     | \$ 8,099   | 2.5 %    | \$ 8,216   |
| Total Return Swap (Note 7)                                    |                   |     |     |         |     |            |          |            |
|   | Total return swap | N/A | N/A | 06/2014 | N/A | \$ -       | (0.2 ) % | \$ (262 )  |
| Total United States (cost \$436,924)                          |                   |     |     |         |     | \$ 436,924 | 136.0 %  | \$ 435,801 |
| Total investments (cost \$439,661)                            |                   |     |     |         |     | \$ 439,661 | 136.8 %  | \$ 438,593 |

\* Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization.

- (1) The majority of the investments bear interest at a rate that may be determined by reference to LIBOR "L" or Prime "P" and which reset daily, quarterly or semiannually. For each we have provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at June 30, 2011. Certain investments are subject to a LIBOR or Prime interest rate floor. For fixed rate loans, a spread above a reference rate is not applicable.
- (2) For portfolio companies with multiple interest rate contracts, the interest rate shown is a weighted average current interest rate in effect at June 30, 2011.
- (3) The negative fair value is the result of the capitalized discount on the loan or the unfunded commitment being valued below par. The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.



- (4) The entire commitment was unfunded at June 30, 2011. As such, no interest is being earned on this investment. #REF!
- (5) Loan was on non-accrual status as of June 30, 2011, meaning that the Company has ceased recognizing interest income on the loan.
- (6) A portion of the interest may be deferred through a payment-in-kind ("PIK") rate option.

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments  
September 30, 2010  
(In thousands)

|   | Investment<br>Type | Spread<br>Above<br>Index(1) | Interest<br>Rate(2) | Maturity<br>Date | Principal<br>Amount | Cost            | Percentage<br>of<br>Net<br>Assets | Fair<br>Value   |
|---|--------------------|-----------------------------|---------------------|------------------|---------------------|-----------------|-----------------------------------|-----------------|
| <b>Investments, at fair value</b>                                 |                    |                             |                     |                  |                     |                 |                                   |                 |
| <b>Canada</b>   |                    |                             |                     |                  |                     |                 |                                   |                 |
| <b>Debt investments</b>   |                    |                             |                     |                  |                     |                 |                                   |                 |
| <b>Diversified<br/>Conglomerate Service</b>                       |                    |                             |                     |                  |                     |                 |                                   |                 |
| Open Text<br>Corporation*   | Senior<br>loan     | L +<br>2.25%                | 2.51 %              | 10/2013          | \$ 1,310            | \$ 1,146        | 0.5 %                             | \$ 1,297        |
| <b>Leisure, Amusement,<br/>Motion Pictures,<br/>Entertainment</b> |                    |                             |                     |                  |                     |                 |                                   |                 |
| Extreme Fitness, Inc.*  | Senior<br>loan     | L +<br>7.50%                | 11.50 %             | 03/2012          | 4,649               | 4,649           | 1.8                               | 4,649           |
| <b>Total Canada (cost<br/>\$5,795)</b>                            |                    |                             |                     |                  | <b>\$ 5,959</b>     | <b>\$ 5,795</b> | <b>2.3 %</b>                      | <b>\$ 5,946</b> |
| <b>Fair Value as percentage<br/>of Principal Amount</b>           |                    |                             |                     |                  |                     |                 |                                   | <b>99.8 %</b>   |
| <b>United States</b>  |                    |                             |                     |                  |                     |                 |                                   |                 |
| <b>Debt investments</b>   |                    |                             |                     |                  |                     |                 |                                   |                 |
| <b>Aerospace and Defense</b>                                      |                    |                             |                     |                  |                     |                 |                                   |                 |
| Thermal Solutions<br>LLC*   | Senior<br>loan     | L +<br>4.75%                | 6.00 %              | 03/2011          | \$ 38               | \$ 38           | - %                               | \$ 38           |
| Thermal Solutions<br>LLC*   | Senior<br>loan     | L +<br>5.25%                | 7.50 %              | 03/2012          | 1,875<br>1,913      | 1,864<br>1,902  | 0.7<br>0.7                        | 1,818<br>1,856  |
| <b>Automobile</b>   |                    |                             |                     |                  |                     |                 |                                   |                 |
| CLP Auto Interior<br>Corporation*                                 | Senior<br>loan     | L +<br>4.75%                | 5.01 %              | 06/2013          | 3,223               | 3,223           | 1.2                               | 3,126           |
| Dealer Computer<br>Services, Inc.*                                | Senior<br>loan     | L +<br>3.50%                | 5.25 %              | 04/2017          | 2,414               | 2,402           | 0.9                               | 2,420           |
| Driven Brands, Inc.*  | Senior<br>loan     | L +<br>5.00%                | 6.53 %              | 10/2014          | 5,944<br>11,581     | 5,944<br>11,569 | 2.3<br>4.4                        | 5,944<br>11,490 |
| <b>Banking</b>  |                    |                             |                     |                  |                     |                 |                                   |                 |
| Bonddesk Group<br>LLC*  | Senior<br>loan     | L +<br>3.00%                | 3.26 %              | 08/2012          | 1,884               | 1,827           | 0.7                               | 1,847           |

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|   |             |              |       |           |        |        |      |        |
|---|-------------|--------------|-------|-----------|--------|--------|------|--------|
| Prommis Solutions Inc.*                 | Senior loan | L +<br>2.75% | 3.05  | % 02/2013 | 1,519  | 1,519  | 0.5  | 1,474  |
|   |             |              |       |           | 3,403  | 3,346  | 1.2  | 3,321  |
| Beverage, Food and Tobacco              |             |              |       |           |        |        |      |        |
| Lone Star Beef Processors, L.P.*        | Senior loan | L +<br>4.00% | 4.75  | % 05/2013 | 3,580  | 3,559  | 1.4  | 3,580  |
| ABP Corporation*                        | Senior loan | L +<br>4.50% | 8.50  | % 02/2013 | 2,322  | 2,282  | 0.9  | 2,322  |
| Bertucci's Corporation*                 | Senior loan | L +<br>9.00% | 12.00 | % 07/2012 | 1,964  | 1,915  | 0.8  | 1,964  |
| CTI Foods Holding Co., LLC              | Senior loan | L +<br>4.00% | 6.00  | % 06/2015 | 893    | 885    | 0.3  | 871    |
|   |             |              |       |           | 8,759  | 8,641  | 3.4  | 8,737  |
| Building and Real Estate                |             |              |       |           |        |        |      |        |
| American Fire Protection Group, Inc.(5) | Senior loan | L +<br>6.75% | 9.00  | % 06/2011 | 4,422  | 4,346  | 1.2  | 3,095  |
| Architectural Testing, Inc.*            | Senior loan | L +<br>6.50% | 9.50  | % 05/2013 | 6,497  | 6,497  | 2.5  | 6,497  |
| Infiltrator Systems, Inc.*              | Senior loan | L +<br>5.50% | 8.50  | % 09/2012 | 7,819  | 7,505  | 2.9  | 7,507  |
| ITEL Laboratories, Inc.*                | Senior loan | L +<br>6.75% | 9.75  | % 03/2014 | 7,826  | 7,764  | 3.0  | 7,826  |
| ASP PDM Acquisition Co. LLC*            | Senior loan | L +<br>2.75% | 3.35  | % 12/2013 | 608    | 570    | 0.2  | 560    |
| Best Lighting Products, Inc.*           | Senior loan | L +<br>8.00% | 10.00 | % 08/2012 | 2,432  | 2,370  | 0.9  | 2,432  |
| KHKI Acquisition, Inc.                  | Senior loan | L +<br>6.00% | 8.50  | % 03/2012 | 343    | 342    | 0.1  | 332    |
| KHKI Acquisition, Inc.                  | Senior loan | L +<br>6.00% | 8.50  | % 03/2013 | 2,600  | 2,596  | 0.8  | 2,080  |
| Tecta America Corp.                     | Senior loan | L +<br>5.75% | 6.58  | % 12/2011 | 2,864  | 2,864  | 0.7  | 1,904  |
|   |             |              |       |           | 35,411 | 34,854 | 12.3 | 32,233 |
| Cargo Transport                         |             |              |       |           |        |        |      |        |
| The Kenan Advantage Group, Inc.         | Senior loan | L +<br>4.50% | 3.59  | % 06/2016 | 244    | 233    | 0.1  | 248    |
| The Kenan Advantage Group, Inc.*        | Senior loan | L +<br>4.50% | 6.25  | % 06/2016 | 3,327  | 3,262  | 1.3  | 3,351  |
| Peco Pallet, Inc.*                      | Senior loan | L +<br>3.75% | 4.01  | % 06/2013 | 3,978  | 3,835  | 1.5  | 3,939  |
|   |             |              |       |           | 7,549  | 7,330  | 2.9  | 7,538  |
| Chemicals, Plastics and Rubber          |             |              |       |           |        |        |      |        |
| Celanese Holdings LLC*                  | Senior loan | L +<br>3.00% | 3.53  | % 10/2016 | 693    | 598    | 0.3  | 682    |
| Styron S.A.R.L.*                        | Senior loan | L +<br>5.75% | 7.50  | % 06/2016 | 1,481  | 1,502  | 0.6  | 1,505  |
| Syrgis Holdings, Inc.*                  | Senior loan | L +<br>5.50% | 7.75  | % 08/2012 | 326    | 312    | 0.1  | 326    |
| Syrgis Holdings, Inc.*                  |             |              | 8.25  | % 08/2013 | 864    | 821    | 0.3  | 864    |

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|                        |             |              |       |   |         |       |       |     |       |
|------------------------|-------------|--------------|-------|---|---------|-------|-------|-----|-------|
|                        | Senior loan | L +<br>6.00% |       |   |         |       |       |     |       |
| Syrgis Holdings, Inc.* | Senior loan | L +<br>8.50% | 10.75 | % | 02/2014 | 474   | 449   | 0.2 | 474   |
|                        |             |              |       |   |         | 3,838 | 3,682 | 1.5 | 3,851 |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments - (Continued)  
September 30, 2010  
(In thousands)

|   | Investment  | Spread       | Interest | Maturity | Principal | Cost   | Percentage | Fair   |
|---|-------------|--------------|----------|----------|-----------|--------|------------|--------|
|   | Type        | Above        | Rate(2)  | Date     | Amount    |        | of         | Value  |
|   |             | Index(1)     |          |          |           |        | Total      |        |
|   |             |              |          |          |           |        | Net        |        |
|   |             |              |          |          |           |        | Assets     |        |
| <b>Containers, Packaging and Glass</b>        |             |              |          |          |           |        |            |        |
| Fort Dearborn Company*                        | Senior loan | L +<br>5.00% | 6.86 %   | 08/2015  | \$ 102    | \$ 100 | - %        | \$ 102 |
| Fort Dearborn Company*                        | Senior loan | L +<br>5.50% | 7.37 %   | 08/2016  | 227       | 222    | 0.1        | 227    |
| Fort Dearborn Company*                        | Senior loan | L +<br>5.00% | 6.75 %   | 08/2015  | 1,553     | 1,523  | 0.6        | 1,553  |
| Fort Dearborn Company*                        | Senior loan | L +<br>5.50% | 7.25 %   | 08/2016  | 3,291     | 3,226  | 1.3        | 3,291  |
| Pelican Products, Inc.*                       | Senior loan | L +<br>5.00% | 7.75 %   | 01/2013  | 77        | 72     | -          | 77     |
| Pelican Products, Inc.*                       | Senior loan | L +<br>5.00% | 7.75 %   | 01/2014  | 2,861     | 2,647  | 1.1        | 2,861  |
| Industrial Container Services, LLC*           | Senior loan | L +<br>4.00% | 4.53 %   | 09/2011  | 754       | 743    | 0.3        | 754    |
|   |             |              |          |          | 8,865     | 8,533  | 3.4        | 8,865  |
| <b>Diversified Conglomerate Manufacturing</b> |             |              |          |          |           |        |            |        |
| Neptco Inc.                                   | Senior loan | L +<br>5.25% | 7.25 %   | 03/2013  | 4,317     | 4,166  | 1.4        | 3,669  |
| Pasternack Enterprises, Inc.*                 | Senior loan | L +<br>4.50% | 6.00 %   | 02/2014  | 4,779     | 4,646  | 1.8        | 4,779  |
| Vintage Parts, Inc.*                          | Senior loan | L +<br>5.50% | 5.79 %   | 12/2013  | 6,551     | 6,480  | 2.5        | 6,551  |
| Heat Transfer Parent, Inc.*                   | Senior loan | L +<br>3.00% | 3.26 %   | 06/2013  | 1,833     | 1,766  | 0.6        | 1,595  |
|   |             |              |          |          | 17,480    | 17,058 | 6.3        | 16,594 |
| <b>Diversified Conglomerate Service</b>       |             |              |          |          |           |        |            |        |
| Benetech, Inc.*                               | Senior loan | L +<br>5.00% | 5.26 %   | 12/2013  | 8,845     | 8,562  | 3.3        | 8,668  |
| Compass Group Diversified Holdings, LLC*      | Senior loan | L +<br>4.00% | 4.50 %   | 12/2013  | 4,566     | 4,566  | 1.8        | 4,566  |
| Cortz, Inc.*                                  | Senior loan | L +<br>5.50% | 8.50 %   | 03/2014  | 6,540     | 6,493  | 2.5        | 6,540  |
| NS Holdings, Inc.*                            |             |              | 6.64 %   | 06/2015  | 2,238     | 2,194  | 0.9        | 2,238  |

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|  |                  |              |       |     |         |        |        |      |        |
|--|------------------|--------------|-------|-----|---------|--------|--------|------|--------|
|  | Senior loan      | L +<br>4.63% |       |     |         |        |        |      |        |
| NS Holdings, Inc.* <sup>(3)</sup>                            | Senior loan      | L +<br>6.25% | N/A   | (4) | 06/2015 | -      | (8 )   | -    | -      |
| Protection One, Inc.*  | Senior loan      | L +<br>4.25% | 6.00  | %   | 06/2016 | 3,142  | 3,132  | 1.2  | 3,150  |
| Savvis Communications Corporation*                           | Senior loan      | L +<br>5.00% | 6.75  | %   | 08/2016 | 2,000  | 1,978  | 0.8  | 2,012  |
| The Service Companies, Inc.                                  | Senior loan      | L +<br>6.50% | 8.50  | %   | 03/2014 | 5,792  | 5,676  | 2.2  | 5,792  |
|  |                  |              |       |     |         | 33,123 | 32,593 | 12.7 | 32,966 |
| Diversified Natural Resources, Precious Metals, and Minerals |                  |              |       |     |         |        |        |      |        |
| Metal Spinners, Inc.*  | Senior loan      | L +<br>7.00% | 10.00 | %   | 12/2014 | 2,284  | 2,202  | 0.9  | 2,284  |
| Metal Spinners, Inc.* <sup>(6)</sup>                         | Senior loan      | L +<br>8.00% | 11.00 | %   | 12/2014 | 3,085  | 2,979  | 1.1  | 2,900  |
| Virginia Explosives & Drilling Company, Inc.                 | Senior loan      | L +<br>7.00% | 10.50 | %   | 05/2011 | 170    | 162    | 0.1  | 170    |
| Virginia Explosives & Drilling Company, Inc.                 | Senior loan      | L +<br>7.00% | 10.50 | %   | 10/2011 | 2,852  | 2,739  | 1.0  | 2,709  |
|  |                  |              |       |     |         | 8,391  | 8,082  | 3.1  | 8,063  |
| Electronics  |                  |              |       |     |         |        |        |      |        |
| Cape Electrical Supply LLC*                                  | Senior loan      | L +<br>5.75% | 6.75  | %   | 11/2013 | 2,435  | 2,300  | 0.9  | 2,386  |
| The Sloan Company, Inc.* <sup>(6)</sup>                      | Second lien loan | L +<br>7.00% | 7.26  | %   | 10/2012 | 2,442  | 2,430  | 0.9  | 2,442  |
| Syncsort Incorporated <sup>(3)</sup>                         | Senior loan      | L +<br>5.50% | N/A   | (4) | 03/2015 | -      | (8 )   | -    | -      |
| Syncsort Incorporated  | Senior loan      | L +<br>5.50% | 7.50  | %   | 03/2015 | 9,875  | 9,658  | 3.8  | 9,875  |
|  |                  |              |       |     |         | 14,752 | 14,380 | 5.6  | 14,703 |
| Finance  |                  |              |       |     |         |        |        |      |        |
| Nuveen Investments, Inc.*                                    | Senior loan      | L +<br>3.00% | 3.29  | %   | 11/2014 | 3,000  | 2,685  | 1.0  | 2,705  |
| eVestment Alliance Holdings, LLC*                            | Senior loan      | L +<br>6.50% | 9.50  | %   | 05/2014 | 7,128  | 7,013  | 2.7  | 7,128  |
| Pillar Processing LLC*                                       | Senior loan      | L +<br>5.50% | 5.79  | %   | 11/2013 | 6,216  | 6,196  | 2.4  | 6,216  |
| Pillar Processing LLC*                                       | Senior loan      | N/A          | 14.50 | %   | 05/2014 | 3,125  | 3,125  | 1.2  | 3,125  |
| Wall Street Systems Holdings, Inc.*                          | Senior loan      | L +<br>5.00% | 8.00  | %   | 05/2013 | 7,875  | 7,875  | 3.0  | 7,875  |
|  |                  |              |       |     |         | 27,344 | 26,894 | 10.3 | 27,049 |
| Grocery  |                  |              |       |     |         |        |        |      |        |
| JRD Holdings, Inc. *   | Senior loan      | L +<br>2.25% | 2.51  | %   | 07/2014 | 1,241  | 1,097  | 0.5  | 1,195  |

See Notes to Consolidated Financial Statements.



Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments - (Continued)  
September 30, 2010  
(In thousands)

|  | Investment<br>Type   | Spread            |                     |     | Maturity<br>Date | Principal<br>Amount | Cost     | Percentage<br>of<br>Total<br>Net<br>Assets |   | Fair<br>Value |
|--|----------------------|-------------------|---------------------|-----|------------------|---------------------|----------|--|---|---------------|
|  |                      | Above<br>Index(1) | Interest<br>Rate(2) |     |                  |                     |          |  |   |               |
| Healthcare, Education and Childcare        |                      |                   |                     |     |                  |                     |          |  |   |               |
| ADG, LLC                                   | Senior loan          | L +<br>5.75%      | 7.78                | %   | 05/2013          | \$ 3,701            | \$ 3,652 | 1.4  | % | \$ 3,701      |
| ADG, LLC(3)                                | Senior loan          | L +<br>5.75%      | N/A                 | (4) | 05/2013          | -                   | (10 )    | -  |   | -             |
| Campus Management<br>Acquisition Corp.     | Senior loan          | L +<br>5.65%      | 7.40                | %   | 09/2015          | 5,595               | 5,483    | 2.1  |   | 5,595         |
| CHS/Community Health<br>Systems *          | Senior loan          | L +<br>2.25%      | 2.55                | %   | 07/2014          | 773                 | 763      | 0.3  |   | 734           |
| Community Hospices of<br>America, Inc.*    | Senior loan          | L +<br>5.00%      | 8.00                | %   | 01/2011          | 990                 | 985      | 0.4  |   | 990           |
| Community Hospices of<br>America, Inc.*(6) | Second lien<br>loan  | L +<br>11.75%     | 13.75               | %   | 04/2011          | 4,865               | 4,846    | 1.9  |   | 4,865         |
| DaVita, Inc.*                              | Senior loan          | L +<br>1.50%      | 1.76                | %   | 10/2012          | 5,000               | 4,646    | 1.9  |   | 4,989         |
| DDC Center Inc.*                           | Senior loan          | L +<br>6.50%      | 9.50                | %   | 10/2014          | 9,652               | 9,652    | 3.3  |   | 8,687         |
| Delta Educational<br>Systems, Inc.*        | Senior loan          | L +<br>4.00%      | 6.00                | %   | 06/2012          | 4,140               | 3,997    | 1.6  |   | 4,140         |
| Den-Mat Holdings,<br>LLC(6)                | Senior loan          | L +<br>7.50%      | 8.50                | %   | 06/2014          | 3,287               | 3,195    | 0.6  |   | 1,643         |
| Excelligence Learning<br>Corporation*      | Second lien<br>loan  | L +<br>7.00%      | 7.26                | %   | 11/2013          | 1,600               | 1,539    | 0.6  |   | 1,584         |
| The Hygenic<br>Corporation*                | Senior loan          | L +<br>2.50%      | 2.80                | %   | 04/2013          | 2,483               | 2,425    | 0.9  |   | 2,384         |
| Integrated DNA<br>Technologies, Inc.(6)    | Subordinated<br>debt | N/A               | 14.00               | %   | 04/2015          | 3,800               | 3,737    | 1.5  |   | 3,800         |
| Integrated DNA<br>Technologies, Inc.(3)    | Subordinated<br>debt | N/A               | N/A                 | (4) | 04/2015          | -                   | (14 )    | -  |   | -             |
| ReachOut Healthcare<br>America Ltd*        | Senior loan          | L +<br>5.00%      | 8.00                | %   | 08/2013          | 6,242               | 6,226    | 2.4  |   | 6,242         |
| Renal Advantage<br>Holdings, Inc.*         | Senior loan          | L +<br>4.50%      | 6.00                | %   | 06/2016          | 1,000               | 1,005    | 0.4  |   | 1,006         |
| Sterilmed, Inc.                            | Senior loan          | L +<br>6.25%      | 7.75                | %   | 07/2016          | 3,139               | 3,077    | 1.2  |   | 3,139         |
| Sterilmed, Inc.(3)                         | Senior loan          | L +<br>6.25%      | N/A                 | (4) | 07/2015          | -                   | (9 )     | -  |   | -             |



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|   |                  |              |      |     |         |        |        |      |        |
|---|------------------|--------------|------|-----|---------|--------|--------|------|--------|
| TIDI Products, LLC  | Senior loan      | L +<br>5.00% | 6.50 | %   | 05/2015 | 2,608  | 2,560  | 1.0  | 2,608  |
| TIDI Products, LLC(3)   | Senior loan      | L +<br>5.00% | N/A  | (4) | 05/2015 | -      | (6 )   | -    | -      |
| United Surgical Partners International, Inc.*                 | Senior loan      | L +<br>2.00% | 2.26 | %   | 04/2014 | 1,529  | 1,529  | 0.6  | 1,450  |
| Universal Health Services, Inc.*                              | Senior loan      | L +<br>4.00% | 5.50 | %   | 11/2016 | 1,664  | 1,639  | 0.6  | 1,675  |
| Warner Chilcott Corporation*                                  | Senior loan      | L +<br>4.25% | 6.50 | %   | 02/2016 | 1,510  | 1,495  | 0.6  | 1,519  |
| Warner Chilcott Corporation*                                  | Senior loan      | L +<br>4.25% | 6.50 | %   | 02/2016 | 490    | 485    | 0.2  | 493    |
|   |                  |              |      |     |         | 64,068 | 62,897 | 23.5 | 61,244 |
| Home and Office Furnishings, Housewares, and Durable Consumer |                  |              |      |     |         |        |        |      |        |
| Top Knobs USA, Inc.*  | Senior loan      | L +<br>6.25% | 8.25 | %   | 02/2014 | 2,751  | 2,669  | 1.0  | 2,724  |
| Zenith Products Corporation*                                  | Senior loan      | L +<br>5.00% | 5.49 | %   | 09/2013 | 4,878  | 4,787  | 1.8  | 4,732  |
|   |                  |              |      |     |         | 7,629  | 7,456  | 2.8  | 7,456  |
| Leisure, Amusement, Motion Pictures and Entertainment         |                  |              |      |     |         |        |        |      |        |
| Competitor Group, Inc.  | Senior loan      | L +<br>7.50% | 9.50 | %   | 09/2015 | 81     | 58     | -    | 81     |
| Competitor Group, Inc.(3)                                     | Senior loans     | L +<br>7.50% | N/A  | (4) | 03/2012 | -      | (114 ) | -    | -      |
| Competitor Group, Inc.*                                       | Senior loan      | L +<br>7.50% | 9.50 | %   | 09/2015 | 8,395  | 8,189  | 3.2  | 8,395  |
| Octane Fitness, LLC*  | Senior loan      | L +<br>4.60% | 5.11 | %   | 03/2013 | 4,675  | 4,541  | 1.7  | 4,442  |
| Optronics Product Company, Inc.*                              | Senior loan      | L +<br>3.75% | 5.75 | %   | 12/2012 | 176    | 168    | 0.1  | 176    |
| Optronics Product Company, Inc.*                              | Second lien loan | L +<br>7.25% | 8.25 | %   | 12/2013 | 2,489  | 2,377  | 1.0  | 2,489  |
| Premier Yachts, Inc.*   | Senior loan      | L +<br>3.75% | 4.01 | %   | 08/2012 | 1,037  | 994    | 0.4  | 1,026  |
| Premier Yachts, Inc.*   | Senior loan      | L +<br>7.00% | 7.26 | %   | 08/2013 | 568    | 547    | 0.2  | 568    |
| Regal Cinemas Corporation*                                    | Senior loan      | L +<br>3.50% | 3.79 | %   | 11/2016 | 1,493  | 1,289  | 0.6  | 1,487  |
|   |                  |              |      |     |         | 18,914 | 18,049 | 7.2  | 18,664 |
| Oil and Gas   |                  |              |      |     |         |        |        |      |        |
| Tri-County Petroleum, Inc.*                                   | Senior loan      | L +<br>4.25% | 4.52 | %   | 08/2013 | 3,666  | 3,576  | 1.4  | 3,629  |
| Personal and Non-Durable Consumer Products                    |                  |              |      |     |         |        |        |      |        |

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|   |                      |              |       |   |         |        |        |     |        |
|---|----------------------|--------------|-------|---|---------|--------|--------|-----|--------|
| Dr. Miracles, Inc.*                             | Senior loan          | L +<br>5.50% | 8.00  | % | 03/2014 | 3,766  | 3,723  | 1.4 | 3,766  |
| Strategic Partners, Inc.(6)                     | Subordinated<br>debt | N/A          | 14.00 | % | 02/2017 | 9,636  | 9,367  | 3.7 | 9,635  |
|   |                      |              |       |   |         | 13,402 | 13,090 | 5.1 | 13,401 |
| Personal, Food and<br>Miscellaneous<br>Services |                      |              |       |   |         |        |        |     |        |
| Aramark Corporation*                            | Senior loan          | L +<br>0.00% | 0.11  | % | 01/2014 | 64     | 55     | -   | 61     |
| Aramark Corporation*                            | Senior loan          | L +<br>0.00% | 0.11  | % | 07/2016 | 115    | 98     | -   | 113    |
| Aramark Corporation*                            | Senior loan          | L +<br>3.25% | 3.54  | % | 07/2016 | 1,752  | 1,490  | 0.7 | 1,722  |
| Aramark Corporation*                            | Senior loan          | L +<br>1.88% | 2.16  | % | 01/2014 | 794    | 682    | 0.3 | 758    |
| Focus Brands, Inc.*                             | Senior loan          | L +<br>5.00% | 5.29  | % | 03/2011 | 4,952  | 4,905  | 1.9 | 4,951  |
|   |                      |              |       |   |         | 7,677  | 7,230  | 2.9 | 7,605  |

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Schedule of Investments - (Continued)  
September 30, 2010  
(In thousands)

|                                   | Investment<br>Type | Spread            |       | Interest<br>Rate(2) | Maturity<br>Date | Principal<br>Amount /<br>Shares |          | Percentage<br>of<br>Total<br>Net<br>Assets | Fair<br>Value |
|-----------------------------------|--------------------|-------------------|-------|---------------------|------------------|---------------------------------|----------|--|---------------|
|                                   |                    | Above<br>Index(1) |       |                     |                  | Cost                            |          |  |               |
| <b>Printing and Publishing</b>    |                    |                   |       |                     |                  |                                 |          |  |               |
| Monotype Imaging, Inc.*           | Senior loan        | L +<br>3.75%      | 4.01  | %                   | 07/2012          | \$ 1,378                        | \$ 1,323 | 0.5  | % \$ 1,379    |
| Trade Service Company, LLC*(6)    | Senior loan        | N/A               | 14.00 | %                   | 01/2013          | 2,085                           | 2,026    | 0.8  | 2,084         |
|                                   |                    |                   |       |                     |                  | 3,463                           | 3,349    | 1.3  | 3,463         |
| <b>Retail Stores</b>              |                    |                   |       |                     |                  |                                 |          |  |               |
| Container Store, Inc.*            | Senior loan        | L +<br>3.00%      | 3.32  | %                   | 08/2014          | 6,794                           | 6,329    | 2.4  | 6,251         |
| Fasteners for Retail, Inc.*       | Senior loan        | L +<br>3.50%      | 4.83  | %                   | 12/2012          | 1,964                           | 1,844    | 0.7  | 1,884         |
| IL Fornaio (America) Corporation* | Senior loan        | L +<br>3.00%      | 3.30  | %                   | 03/2013          | 4,768                           | 4,490    | 1.7  | 4,434         |
| The Marshall Retail Group, LLC*   | Senior loan        | L +<br>4.50%      | 7.25  | %                   | 04/2013          | 3,103                           | 2,988    | 1.2  | 3,103         |
| The Marshall Retail Group, LLC*   | Senior loan        | L +<br>6.50%      | 9.25  | %                   | 04/2013          | 2,100                           | 2,039    | 0.8  | 2,100         |
| Rubio's Restaurants, Inc.*        | Senior loan        | L +<br>7.00%      | 8.75  | %                   | 06/2015          | 9,738                           | 9,539    | 3.7  | 9,738         |
|                                   |                    |                   |       |                     |                  | 28,467                          | 27,229   | 10.5                                       | 27,510        |
| <b>Telecommunications</b>         |                    |                   |       |                     |                  |                                 |          |  |               |
| MetroPCS Wireless, Inc.*          | Senior loan        | L +<br>2.25%      | 2.56  | %                   | 11/2013          | 247                             | 211      | 0.1  | 243           |
| MetroPCS Wireless, Inc.*          | Senior loan        | L +<br>3.50%      | 3.81  | %                   | 11/2016          | 2,692                           | 2,288    | 1.0  | 2,672         |
| Springboard Finance LLC*          | Senior loan        | L +<br>5.00%      | 7.00  | %                   | 02/2015          | 1,997                           | 1,984    | 0.8  | 2,009         |
| West Corporation(3)               | Senior loan        | L +<br>2.00%      | N/A   | (4)                 | 10/2012          | -                               | (239 )   | (0.3 )                                     | (700 )        |
|                                   |                    |                   |       |                     |                  | 4,936                           | 4,244    | 1.6  | 4,224         |
| <b>Textiles and Leather</b>       |                    |                   |       |                     |                  |                                 |          |  |               |
| Gammill, Inc.*                    | Senior loan        | L +<br>7.50%      | 9.50  | %                   | 09/2011          | 415                             | 409      | 0.2  | 415           |
| Gammill, Inc.*                    | Senior loan        | L +<br>8.00%      | 10.00 | %                   | 09/2012          | 4,285                           | 4,193    | 1.6  | 4,284         |
|                                   |                    |                   |       |                     |                  | 4,700                           | 4,602    | 1.8  | 4,699         |
| <b>Utilities</b>                  |                    |                   |       |                     |                  |                                 |          |  |               |

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|  |                 |              |      |     |         |            |            |            |            |
|--|-----------------|--------------|------|-----|---------|------------|------------|------------|------------|
| Covanta Energy Corporation*                    | Senior loan     | L +<br>0.00% | 0.43 | %   | 02/2014 | 1,000      | 869        | 0.4        | 957        |
| Covanta Energy Corporation*                    | Senior loan     | L +<br>1.50% | 2.00 | %   | 02/2014 | 1,960      | 1,703      | 0.7        | 1,877      |
| Itron, Inc.*                                   | Senior loan     | L +<br>3.50% | 3.76 | %   | 04/2014 | 875        | 793        | 0.3        | 876        |
| NRG Energy, Inc.*                              | Senior loan     | L +<br>1.50% | 1.98 | %   | 02/2013 | 2,223      | 2,057      | 0.9        | 2,221      |
|  |                 |              |      |     |         | 6,058      | 5,422      | 2.3        | 5,931      |
| Total debt investments (cost \$337,105)        |                 |              |      |     |         | \$ 346,630 | \$ 337,105 | 129.1 %    | \$ 336,287 |
| Fair Value as a percentage of Principal Amount |                 |              |      |     |         |            |            | 97.0       | %          |
| Equity investments                             |                 |              |      |     |         |            |            |            |            |
| Personal and Non-Durable Consumer Products     |                 |              |      |     |         |            |            |            |            |
| Strategic Partners, Inc.                       | LLC interest    | N/A          | N/A  | N/A |         | 169        | \$ 1,691   | 0.6 %      | \$ 1,691   |
| Retail Stores                                  |                 |              |      |     |         |            |            |            |            |
| Rubio's Restaurants, Inc.                      | Preferred stock | N/A          | N/A  | N/A |         | 199        | 945        | 0.4        | 945        |
| Total equity investments (cost \$2,636)        |                 |              |      |     |         | \$ 2,636   | 1.0 %      | \$ 2,636   |            |
| Total United States (cost \$339,741)           |                 |              |      |     |         | \$ 339,741 | 130.1 %    | \$ 338,923 |            |
| Total investments (cost \$345,536)             |                 |              |      |     |         | \$ 345,536 | 132.4 %    | \$ 344,869 |            |

\* Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization.

- (1) The majority of the investments bear interest at a rate that may be determined by reference to LIBOR "L" or Prime "P" and which reset daily, quarterly or semiannually. For each we have provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at September 30, 2010. Certain investments are subject to a LIBOR or Prime interest rate floor. For fixed rate loans, a spread above a reference rate is not applicable.
- (2) For portfolio companies with multiple interest rate contracts, the interest rate shown is a weighted average current interest rate in effect at September 30, 2010.
- (3) The negative fair value is the result of the capitalized discount on the loan or the unfunded commitment being valued below par. The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.

- (4) The entire commitment was unfunded at September 30, 2010. As such, no interest is being earned on this investment.
- (5) Loan was on non-accrual status as of September 30, 2010, meaning that the Company has ceased recognizing interest income on the loan.
- (6) A portion of the interest may be deferred through a payment-in-kind ("PIK") rate option.

See Notes to Consolidated Financial Statements.

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Note 1. Organization

Golub Capital BDC, Inc. (“GBDC” and together with its subsidiaries, the “Company”) is an externally managed, closed-end, non-diversified management investment company. GBDC has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for tax purposes, GBDC has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

On April 13, 2010, Golub Capital BDC LLC (“GC LLC”) converted from a Delaware limited liability company to a Delaware corporation, leaving GBDC as the surviving entity (the “Conversion”). At the time of the Conversion, all limited liability company interests were exchanged for 8,984,863 shares of common stock in GBDC. GBDC had no assets or operations prior to the Conversion, and as a result, the books and records of GC LLC have become the books and records of the surviving entity.

On April 14, 2010, GBDC priced its initial public offering (the “Offering”), selling 7,100,000 shares of its common stock at a public offering price of \$14.50 per share. Concurrent with the Offering, an additional 1,322,581 shares were sold through a private placement, also at \$14.50 per share. On May 19, 2010, an additional 305,000 shares at \$14.50 were issued upon the exercise of the underwriters’ over-allotment option.

GC LLC was formed in the State of Delaware on November 9, 2009 to continue and expand the business of Golub Capital Master Funding LLC (“GCMF”) which commenced operations on July 7, 2007. All of the outstanding limited liability company interests in GCMF were initially held by three Delaware limited liability companies, Golub Capital Company IV, LLC, Golub Capital Company V LLC, and Golub Capital Company VI LLC (collectively the “Capital Companies”). In November 2009, the Capital Companies formed GC LLC, into which they contributed 100% of the limited liability company interests of GCMF and from which they received a proportionate number of limited liability company interests in GC LLC. In February 2010, GEMS Fund L.P. (“GEMS”), a limited partnership affiliated through common management with the Capital Companies, purchased an interest in GC LLC. As a result of the Conversion, the Capital Companies and GEMS received shares of common stock in GBDC.

Subsequent to the Conversion, GCMF became a wholly owned subsidiary of GBDC. GCMF’s financial results are consolidated with GBDC, and the portfolio investments held by GCMF are included in the Company’s consolidated financial statements. All intercompany balances and transactions have been eliminated. For periods prior to November 19, 2009, the consolidated financial statements only reflect the financial results of GCMF.

On July 16, 2010, the Company completed a \$300,000 term Debt Securitization (defined in Note 6). The notes offered in the Debt Securitization were issued by Golub Capital BDC 2010-1 LLC (the “Issuer”), a subsidiary of Golub Capital BDC 2010-1 Holdings LLC (“Holdings”), a direct subsidiary of the Company, and the Class A Notes and Class B Notes are secured by the assets held by the Issuer. The Debt Securitization was executed through a private placement of \$174,000 of Aaa/AAA Class A Notes of the Issuer. In partial consideration for the loans transferred to the Issuer as part of the Debt Securitization, Holdings retained all of the Class B and Subordinated Notes, which totaled \$10,000 and \$116,000, respectively, and retained all the membership interests in the Issuer, which Holdings initially purchased for two hundred and fifty dollars. For further information on the Debt Securitization, see Note 6.

On August 24, 2010, GC SBIC IV, L.P., a wholly owned subsidiary of the Company, received approval for a license from the United States Small Business Administration (“SBA”) to operate as a Small Business Investment Company (“SBIC”). As an SBIC, GC SBIC IV L.P. is subject to a variety of regulations and oversight by the SBA concerning the size and nature of companies in which it may invest as well as the structures of those investments.

The license allows GC SBIC IV, L.P. to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to the Company, have interest payable semiannually and a ten-year maturity. The interest rate is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities.

On March 31, 2011, the Company priced a public offering of 3,500,000 shares of its common stock at a public offering price of \$15.75 per share. On April 6, 2011, the transaction closed and the shares were delivered. On May 2, 2011, the Company sold an additional 453,257 shares of its common stock at a public offering price of \$15.75 per share pursuant to the underwriters' partial exercise of the over-allotment option the Company granted to the underwriters. Offering costs of \$810 were offset against the proceeds from the shares sold.

The Company's investment strategy is to invest in senior secured, unitranche, mezzanine and second lien loans to middle market companies that are, in most cases, sponsored by private equity investors. The Company has entered into an investment advisory agreement (the "Investment Advisory Agreement") with GC Advisors LLC (the "Investment Adviser"), under which the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, the Company. Prior to April 14, 2010, Golub Capital Incorporated (the "Investment Manager") served as the investment adviser for the Company.

## Note 2. Accounting Policies and Recent Accounting Updates

**Basis of presentation:** The accompanying interim consolidated financial statements of the Company and related financial information have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications consisting solely of normal accruals that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

**Fair value of financial instruments:** The Company applies fair value to substantially all of its financial instruments in accordance with Accounting Standards Codification ("ASC") Topic 820 — Fair Value Measurements and Disclosures. ASC Topic 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements. In accordance with ASC Topic 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into a three-level fair value hierarchy. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument rather than an entity specific measure. Therefore, when market assumptions are not readily available, the Company's own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new, whether the product is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3.

Any changes to the valuation methodology are reviewed by management to confirm that the changes are justified. As markets change, new products develop and the pricing for products becomes more or less transparent, the Company will continue to refine its valuation methodologies.

**Use of estimates:** The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Consolidation:** As permitted under Regulation S-X and the American Institute of Certified Public Accountants (the "AICPA") Audit and Accounting Guide for Investment Companies, the Company will generally not consolidate its investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to the Company. Accordingly, the Company consolidated the results of the Company's subsidiaries in its consolidated financial statements. Assets related to transactions that do not meet



Accounting Standards Codification (“ASC”) Topic 860 — Transfers and Servicing requirements for accounting sale treatment are reflected in the consolidated balance sheet of the Company as investments. Those assets are owned by special purpose entities that are consolidated in the Company’s financial statements, the creditors of the special purpose entities have received security interests in such assets and such assets are not intended to be available to the creditors of the Company (or any affiliate of the Company).

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Segments: In accordance with ASC Topic 280 — Segment Reporting, the Company has determined that it has a single reporting segment and operating unit structure.

Cash and cash equivalents: Cash and cash equivalents are highly liquid investments with an original maturity of three months or less at the date of acquisition. The Company places its cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Restricted cash and cash equivalents: Restricted cash and cash equivalents include amounts that are collected and are held by trustees who have been appointed as custodians of the assets securing certain of the Company's financing transactions. Restricted cash is held by the trustees for payment of interest expense and principal on the outstanding borrowings or reinvestment into new assets. In addition, restricted cash and cash equivalents include amounts held within GC SBIC IV, L.P. This amount is generally restricted to the originations of new loans from GC SBIC IV, L.P. and the payment of SBA debentures and related interest expense.

Revenue recognition: Investments and related investment income: The Company's board of directors (the "Board") determines the fair value of its investments. Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. In addition, the Company may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and the Company accretes or amortizes such amounts over the life of the loan as interest income. The Company records prepayment premiums on loans as interest income. When the Company receives principal payments on a loan in an amount that exceeds its amortized cost, it records the excess principal payment as interest income. For the three and nine months ended June 30, 2011, interest income included \$965 and \$4,146 of such amounts, respectively. For the three and nine months ended June 30, 2010, the Company recorded interest income from amortization in the amounts of \$1,733 and \$6,580, respectively.

As of June 30, 2011 and September 30, 2010, the Company had interest receivable of \$2,574 and \$1,956, respectively. For the three and nine months ended June 30, 2011, the Company earned interest of \$10,071 and \$28,319, respectively. For the three and nine months ended June 30, 2010, the Company earned interest of \$7,230 and \$25,718, respectively. During the three and nine months ended June 30, 2011, the Company received interest in cash in the amounts of \$9,410 and \$27,086 respectively. During the three and nine months ended June 30, 2010, the Company received interest in cash in the amounts of \$7,192 and \$26,170, respectively.

For investments with contractual PIK, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, the Company will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. For the three and nine months ended June 30, 2011, the Company recorded PIK income of \$268 and \$615, respectively. For the three and nine months ended June 30, 2010, the Company recorded PIK income of \$81 and \$204, respectively.

Investment transactions are accounted for on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. The Company reports changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations. Revenue recognition policies for realized and unrealized gains and losses on total return swaps are disclosed in Note 7.

Non-accrual loans: A loan may be left on accrual status during the period the Company is pursuing repayment of the loan. Management reviews all loans that become 90 days or more past due on principal and interest or when there is reasonable doubt that principal or interest will not be collected for possible placement on non-accrual status. When a

loan is placed on non-accrual status, unpaid interest credited to income is reversed. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The total fair value of non-accrual loans was \$3,360 and \$3,095 as of June 30, 2011 and September 30, 2010, respectively.

**Income taxes:** The Company has elected to be treated as a RIC under Subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to meet certain source of income and asset diversification requirements and timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. The Company has made, and intends to continue to make, the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes with respect to all income distributed to its stockholders.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and nine months ended June 30, 2011 and 2010, no amount was recorded for U.S. federal excise tax.

The Company accounts for income taxes in conformity with ASC Topic 740 — Income Taxes. ASC Topic 740 provides guidelines for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. ASC Topic 740 requires the evaluation of tax positions taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. It is the Company's policy to recognize accrued interest and penalties related to uncertain tax benefits in income tax expense. There were no material uncertain income tax positions at June 30, 2011 and September 30, 2010. The 2008 through 2010 tax years remain subject to examination by U.S. federal and most state tax authorities.

**Dividends and distributions:** Dividends and distributions to common stockholders are recorded on the declaration date. The amount to be paid out as a dividend or distribution is determined by the Board each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan ("DRIP") that provides for reinvestment of any distributions the Company declares in cash on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Board authorizes, and the Company declares, a cash distribution, then stockholders who have not "opted out" of the DRIP will have their cash distribution automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividend. The Company may use newly issued shares to implement the DRIP (if the Company's shares are trading at a premium to net asset value), or the Company may purchase shares in the open market in connection with the obligations under the plan. In particular, if the Company's shares are trading at a significant discount to net asset value and the Company is otherwise permitted under applicable law to purchase such shares, the Company intends to purchase shares in the open market in connection with any obligations under the DRIP.

On May 3, 2011, the Company's Board approved an amendment to the DRIP that in the event the market price per share of the Company's common stock on the date of a distribution exceeds the most recently computed net asset value per share of the common stock, the Company will issue shares of common stock to participants in the DRIP at the greater of the most recently computed net asset value per share of common stock or 95% of the current market price per share of common stock (or such lesser discount to the current market price per share that still exceeds the most recently computed net asset value per share of common stock).

**Deferred financing costs:** Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of June 30, 2011 and September 30, 2010, the Company had deferred financing costs of \$3,836 and \$2,748, respectively. These amounts are amortized and included in interest expense in the consolidated statements of operations over the estimated average life of the borrowings. Amortization expense for the three and nine months ended June 30, 2011 was \$202 and \$564, respectively. There was no amortization expense for the three and nine months ended June 30, 2010.

**Deferred offering costs:** Deferred offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity offerings. Deferred offering costs are charged against the proceeds from equity offerings when received.



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**Recently Issued Accounting Pronouncements:** In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). This ASU represents the converged guidance of the FASB and the IASB (the “Boards”) on fair value measurement. The collective efforts of the Boards, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term “fair value” and enhanced disclosure requirements for investments that do not have readily determinable fair values. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments to the FASB Codification in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company is currently assessing the impact of ASU 2011-04 on its consolidated financial statements.

### Note 3. Related Party Transactions

**Investment Advisory and Management Agreement:** On April 14, 2010, GBDC entered into the Investment Advisory Agreement with the Investment Adviser, under which the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, GBDC. The Investment Advisory Agreement was subsequently amended on July 16, 2010. The Investment Adviser is a registered investment adviser with the SEC. The Investment Adviser receives fees for providing services, consisting of two components, a base management fee and an incentive fee.

The base management fee is calculated at an annual rate equal to 1.375% of average adjusted gross assets at the end of the two most recently completed calendar quarters (excluding cash and cash equivalents and including assets purchased with borrowed funds and securitization-related assets) and is payable quarterly in arrears. To the extent that the Investment Adviser or any of its affiliates provides investment advisory, collateral management or other similar services to a subsidiary of the Company, the base management fee shall be reduced by an amount equal to the product of (1) the total fees paid to the Investment Adviser by such subsidiary for such services and (2) the percentage of such subsidiary’s total equity, including membership interests and any class of notes not exclusively held by one or more third parties, that is owned, directly or indirectly, by the Company. Prior to the Offering, the base management fee was calculated at an annual rate of 0.75% of the value of the GCMF investments under the terms of GCMF’s Sale and Servicing Agreement with the Investment Manager.

The Company has structured the calculation of the incentive fee to include a fee limitation such that an incentive fee for any quarter can only be paid to the Investment Adviser if, after such payment, the cumulative incentive fees paid to the Investment Adviser since the effective date of the Company’s election to become a BDC would be less than or equal to 20.0% of the Company’s Cumulative Pre-Incentive Fee Net Income (as defined below).

The Company accomplishes this limitation by subjecting each quarterly incentive fee payable on the “Income and Capital Gains Incentive Fee Calculation” (as defined below) to a cap (the “Incentive Fee Cap”). The Incentive Fee Cap in any quarter is the difference between (a) 20.0% of Cumulative Pre-Incentive Fee Net Income and (b) cumulative incentive fees of any kind paid to the Investment Adviser by GBDC since the effective date of its election to become a BDC. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, no incentive fee would be payable in that quarter. Cumulative Pre-Incentive Fee Net Income is equal to the sum of (a) Pre-Incentive Fee Net Investment Income for each period since the effective date of the Company’s election to become a BDC and (b) cumulative aggregate realized capital gains, cumulative aggregate realized capital losses, cumulative aggregate unrealized capital depreciation and cumulative aggregate unrealized capital appreciation since the effective date of the Company’s election to become a BDC.

Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the calendar quarter (including the base management fee, taxes, any expenses payable under the Investment Advisory Agreement and the Administration Agreement, as defined below, any expenses of securitizations and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that the Company has not yet received in cash.

Incentive fees are calculated and payable quarterly in arrears (or, upon termination of the Investment Advisory Agreement, as of the termination date) (a "Performance Period"). The Investment Adviser is not under any obligation to reimburse the Company for any part of the incentive fee it received that was based on accrued income that is never actually received.

The income and capital gains incentive fee calculation (the “Income and Capital Gain Incentive Fee Calculation”) has two parts, the income component and the capital gains component. The income component is calculated quarterly in arrears based on the Company’s Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter.

Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the income component, it is possible that an incentive fee may be calculated under this formula with respect to a period in which the Company has incurred a loss. For example, if the Company receives Pre-Incentive Fee Net Investment Income in excess of the hurdle rate (as defined below) for a calendar quarter, the income component will result in a positive value and an incentive fee will be paid unless the payment of such incentive fee would cause the Company to pay incentive fees on a cumulative basis that exceed 20.0% of Cumulative Pre-Incentive Fee Net Investment Income. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of the Company’s net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed “hurdle rate” of 2.0% quarterly. If market interest rates rise, GBDC may be able to invest funds in debt instruments that provide for a higher return, which would increase Pre-Incentive Fee Net Investment Income and make it easier for the Investment Adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. Our Pre-Incentive Fee Net Investment Income used to calculate this part of the incentive fee is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets) used to calculate the 1.375% base management fee annual rate. The Company calculates the income component of the Income and Capital Gain Incentive Fee Calculation with respect to our Pre-Incentive Fee Net Investment Income quarterly, in arrears, as follows:

- Zero in any calendar quarter in which the Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate;
- 100% of the Company’s Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.5% in any calendar quarter. This portion of the Company’s Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than 2.5%) is referred to as the “catch-up” provision. The catch-up is meant to provide the Investment Adviser with 20.0% of the Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and
- 20.0% of the amount of the Company’s Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.5% in any calendar quarter.

The sum of these calculations yields the Income Incentive Fee. This amount is appropriately adjusted for any share issuances or repurchases during the quarter. For the three and nine months ended June 30, 2011, the Income Incentive Fee was zero and \$348, respectively. The Income Incentive Fee for the three and nine months ended June 30, 2010 was \$55 and \$55, respectively.

The second part of the Incentive Fee Calculation (the “Capital Gain Incentive Fee”) equals (a) 20.0% of the Company’s “Capital Gain Incentive Fee Base,” if any, calculated in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), which commenced with the calendar year ending December 31, 2010, less (b) the aggregate amount of any previously paid Capital Gain Incentive Fees. The Company’s Capital Gain Incentive Fee Base equals the sum of (1) realized capital gains, if any, on a cumulative positive basis from the date the Company elected to become a BDC through the end of each calendar year, (2) all realized capital losses on a cumulative basis and (3) all unrealized capital depreciation on a cumulative basis.

- The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in the Company’s portfolio when sold is less than (b) the accreted or amortized cost base of



such investment.

- The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in the Company's portfolio when sold and (b) the accreted or amortized cost basis of such investment.
- The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in the Company's portfolio as of the applicable Capital Gain Incentive Fee calculation date and (b) the accreted or amortized cost basis of such investment.

The sum of the Income Incentive Fee and the Capital Gain Incentive Fee is the Incentive Fee.

The Company accrues the Capital Gain Incentive Fee if, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) is positive. The Capital Gain Incentive Fee is calculated on a cumulative basis from the date the Company elected to become a BDC through the end of each calendar year. For the three and nine month period ended June 30, 2011, the Company accrued a Capital Gains Incentive Fee of \$113 and \$177. For the calendar year ended December 31, 2010, the Capital Gain Incentive Fee was zero.

The Incentive Fee will not be paid at any time if, after such payment, the cumulative Incentive Fees paid to date would be greater than 20.0% of the Company's cumulative Pre-Incentive Fee Net Income since the election to be treated as a BDC. Such amount, less any Incentive Fees previously paid, is referred to as the Incentive Fee Cap. If, for any relevant period, the Incentive Fee Cap calculation results in the Company paying less than the amount of the Incentive Fee calculated above, then the difference between the Incentive Fee and the Incentive Fee Cap will not be paid by GBDC and will not be received by the Investment Adviser as an Incentive Fee either at the end of such relevant period or at the end of any future period.

**Administration Agreement:** GBDC has also entered into an administration agreement (the "Administration Agreement") with GC Service Company, LLC (the "Administrator"). Under the Administration Agreement, the Administrator furnishes GBDC with office facilities and equipment, provides GBDC with clerical, bookkeeping and record keeping services at such facilities and provides GBDC with other administrative services as the Administrator, subject to review by the Board, determines necessary to conduct GBDC's day-to-day operations. GBDC reimburses the Administrator the allocable portion (subject to the review and approval of the Board) of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and GBDC's allocable portion of the cost of its chief financial officer and chief compliance officer and their respective staffs. The Board reviews such expenses to determine that these expenses are reasonable and comparable to administrative services charged by unaffiliated third party asset managers. Under the Administration Agreement, the Administrator also provides on the Company's behalf significant managerial assistance to those portfolio companies to which GBDC is required to provide such assistance and will be paid an additional amount based on the services provided, not to exceed the amount GBDC receives from such portfolio companies.

Included in accounts payable and accrued expenses is \$75 and \$142 as of June 30, 2011 and September 30, 2010, respectively, for accrued allocated shared services under the Administration Agreement. The administrative service fee expense under the Administration Agreement for the three and nine months ended June 30, 2011 was \$224 and \$611, respectively. The administrative service fee for the three and nine months ended June 30, 2010 was \$144 and \$442, respectively.

**Other Related Party Transactions:** Prior to the Offering, the Investment Manager paid for certain unaffiliated third-party expenses on behalf of GCMF, all of which were subsequently reimbursed directly with cash or through a member's equity contribution. Subsequent to the Offering, the Investment Adviser, an affiliate of the Investment Manager, pays for certain unaffiliated third-party expenses incurred by the Company. Such expenses include postage, printing, office supplies and rating agency fees. These expenses are not marked-up and represent the same amount the Company would have paid had the Company paid the expense directly. These expenses were subsequently reimbursed in cash.

Total expenses reimbursed to the Investment Adviser and the Investment Manager, as applicable, during the three and nine months ended June 30, 2011 were \$68 and \$266, respectively.

Total expenses reimbursed to the Investment Adviser and the Investment Manager, as applicable, during the three and nine months ended June 30, 2010 were \$215 and \$639, respectively. Of these amounts, during the three and nine months ended June 30, 2010, \$0 and \$225 were reimbursed via a members' equity contribution, respectively.

As of June 30, 2011 and September 30, 2010, included in accounts payable and accrued expenses is \$105 and \$116, respectively, for accrued expenses paid on behalf of the Company by the Investment Adviser.

## Note 4. Investments

Investments and cash and cash equivalents consisted of the following:

|                                      | June 30, 2011 |           |            | September 30, 2010 |           |            |
|--------------------------------------|---------------|-----------|------------|--------------------|-----------|------------|
|                                      | Par           | Cost      | Fair Value | Par                | Cost      | Fair Value |
| Senior secured                       | \$214,636     | \$211,155 | \$207,852  | \$235,826          | \$228,308 | \$227,048  |
| Unitranche                           | 153,916       | 151,374   | 152,680    | 91,931             | 90,309    | 90,369     |
| Second lien(1)                       | 23,769        | 23,290    | 23,769     | 11,396             | 11,192    | 11,380     |
| Subordinated debt                    | 46,709        | 45,743    | 46,338     | 13,436             | 13,091    | 13,436     |
| Equity                               | N/A           | 8,099     | 8,216      | N/A                | 2,636     | 2,636      |
| Total return swap(2)                 | N/A           | -         | (262 )     | N/A                | -         | -          |
| Cash and cash equivalents            | N/A           | 44,117    | 44,117     | N/A                | 61,219    | 61,219     |
| Restricted cash and cash equivalents | N/A           | 29,279    | 29,279     | N/A                | 31,771    | 31,771     |
| Total                                | \$439,030     | \$513,057 | \$511,989  | \$352,589          | \$438,526 | \$437,859  |

(1) Second lien loans include loans structured as first lien last out term loans.

(2) Refer to Note 7 for additional disclosures.

The Company has invested in portfolio companies located in the United States and in Canada. The following tables show the portfolio composition by geographic region at cost and fair value as a percentage of total investments in portfolio companies, which excludes the total return swap. The geographic composition is determined by the location of the corporate headquarters of the portfolio company, which may not be indicative of the primary source of the portfolio company's business.

|                    | June 30, 2011 |       |   | September 30, 2010 |       |   |
|--------------------|---------------|-------|---|--------------------|-------|---|
| <b>Cost:</b>       |               |       |   |                    |       |   |
| United States      |               |       |   |                    |       |   |
| Mid-Atlantic       | \$74,895      | 17.0  | % | \$84,182           | 24.3  | % |
| Midwest            | 113,716       | 25.9  |   | 91,473             | 26.5  |   |
| West               | 68,378        | 15.6  |   | 66,670             | 19.3  |   |
| Southeast          | 76,059        | 17.3  |   | 63,180             | 18.3  |   |
| Southwest          | 71,241        | 16.2  |   | 24,551             | 7.1   |   |
| Northeast          | 32,635        | 7.4   |   | 9,685              | 2.8   |   |
| Canada             | 2,737         | 0.6   |   | 5,795              | 1.7   |   |
| Total              | \$439,661     | 100.0 | % | \$345,536          | 100.0 | % |
| <b>Fair Value:</b> |               |       |   |                    |       |   |
| United States      |               |       |   |                    |       |   |
| Mid-Atlantic       | \$74,965      | 17.2  | % | \$85,412           | 24.7  | % |
| Midwest            | 113,694       | 25.9  |   | 89,516             | 26.0  |   |
| West               | 67,737        | 15.4  |   | 66,870             | 19.4  |   |
| Southeast          | 76,663        | 17.5  |   | 63,982             | 18.6  |   |
| Southwest          | 69,984        | 15.9  |   | 23,810             | 6.9   |   |
| Northeast          | 33,020        | 7.5   |   | 9,333              | 2.7   |   |
| Canada             | 2,792         | 0.6   |   | 5,946              | 1.7   |   |
| Total              | \$438,855     | 100.0 | % | \$344,869          | 100.0 | % |



The industry compositions of the portfolio at fair value, excluding the total return swap, were as follows:

|   | June 30, 2011 |       |   | September 30, 2010 |       |   |
|---|---------------|-------|---|--------------------|-------|---|
| Cost:   |               |       |   |                    |       |   |
| Aerospace and Defense   | \$2,512       | 0.5   | % | \$1,902            | 0.6   | % |
| Automobile  | 8,635         | 2.0   |   | 11,569             | 3.3   |   |
| Banking   | 2,867         | 0.7   |   | 3,346              | 1.0   |   |
| Beverage, Food and Tobacco                                    | 22,524        | 5.1   |   | 8,641              | 2.5   |   |
| Buildings and Real Estate                                     | 30,570        | 7.0   |   | 34,854             | 10.1  |   |
| Cargo Transport   | 2,307         | 0.5   |   | 7,330              | 2.1   |   |
| Chemicals, Plastics and Rubber                                | 14,143        | 3.2   |   | 3,682              | 1.0   |   |
| Containers, Packaging and Glass                               | 4,955         | 1.1   |   | 8,533              | 2.5   |   |
| Diversified Conglomerate Manufacturing                        | 25,838        | 5.9   |   | 17,058             | 4.9   |   |
| Diversified Conglomerate Service                              | 38,309        | 8.7   |   | 33,739             | 9.8   |   |
| Diversified Natural Resources, Precious Metals and Minerals   | 4,776         | 1.1   |   | 8,082              | 2.3   |   |
| Electronics   | 36,583        | 8.3   |   | 14,380             | 4.2   |   |
| Finance   | 7,086         | 1.6   |   | 26,894             | 7.8   |   |
| Grocery   | -             | -     |   | 1,097              | 0.3   |   |
| Healthcare, Education and Childcare                           | 82,731        | 18.8  |   | 62,897             | 18.2  |   |
| Home and Office Furnishings, Housewares, and Durable Consumer | 9,879         | 2.2   |   | 7,456              | 2.2   |   |
| Leisure, Amusement, Motion Pictures and Entertainment         | 21,095        | 4.8   |   | 22,698             | 6.6   |   |
| Oil and Gas   | 16,528        | 3.8   |   | 3,576              | 1.0   |   |
| Personal and Non-Durable Consumer Products                    | 22,891        | 5.2   |   | 14,781             | 4.2   |   |
| Personal Food and Miscellaneous Services                      | 16,126        | 3.7   |   | 7,230              | 2.1   |   |
| Printing and Publishing                                       | 15,847        | 3.6   |   | 3,349              | 1.0   |   |
| Retail Stores   | 45,634        | 10.4  |   | 28,174             | 8.2   |   |
| Telecommunications  | 3,592         | 0.8   |   | 4,244              | 1.2   |   |
| Textiles and Leather  | 4,233         | 1.0   |   | 4,602              | 1.3   |   |
| Utilities   | -             | -     |   | 5,422              | 1.6   |   |
| Total   | \$439,661     | 100.0 | % | \$345,536          | 100.0 | % |
| Fair Value:   |               |       |   |                    |       |   |
| Aerospace and Defense   | \$2,664       | 0.7   | % | \$1,856            | 0.5   | % |
| Automobile  | 8,477         | 2.0   |   | 11,490             | 3.3   |   |
| Banking   | 2,588         | 0.6   |   | 3,321              | 1.0   |   |
| Beverage, Food and Tobacco                                    | 22,786        | 5.2   |   | 8,737              | 2.5   |   |
| Buildings and Real Estate                                     | 28,299        | 6.5   |   | 32,233             | 9.3   |   |
| Cargo Transport   | 2,306         | 0.6   |   | 7,538              | 2.2   |   |
| Chemicals, Plastics and Rubber                                | 14,225        | 3.2   |   | 3,851              | 1.1   |   |
| Containers, Packaging and Glass                               | 5,038         | 1.1   |   | 8,865              | 2.6   |   |
| Diversified Conglomerate Manufacturing                        | 25,616        | 5.8   |   | 16,594             | 4.8   |   |
| Diversified Conglomerate Service                              | 38,721        | 8.8   |   | 34,263             | 9.9   |   |
| Diversified Natural Resources, Precious Metals and Minerals   | 4,915         | 1.1   |   | 8,063              | 2.3   |   |
| Electronics   | 36,949        | 8.4   |   | 14,703             | 4.3   |   |
| Finance   | 6,740         | 1.5   |   | 27,049             | 7.8   |   |
| Grocery   | -             | -     |   | 1,195              | 0.3   |   |
| Healthcare, Education and Childcare                           | 81,785        | 18.6  |   | 61,244             | 17.8  |   |
|   | 9,981         | 2.3   |   | 7,456              | 2.2   |   |

Home and Office Furnishings, Housewares, and Durable  
Consumer

|   |           |       |             |       |   |
|---|-----------|-------|-------------|-------|---|
| Leisure, Amusement, Motion Pictures and Entertainment | 21,552    | 4.9   | 23,313      | 6.8   |   |
| Oil and Gas   | 16,585    | 3.8   | 3,629       | 1.1   |   |
| Personal and Non-Durable Consumer Products            | 23,016    | 5.2   | 15,092      | 4.4   |   |
| Personal, Food and Miscellaneous Services             | 16,388    | 3.7   | 7,605       | 2.2   |   |
| Printing and Publishing                               | 16,121    | 3.7   | 3,463       | 1.0   |   |
| Retail Stores   | 46,270    | 10.5  | 28,455      | 8.3   |   |
| Telecommunications                                    | 3,545     | 0.8   | 4,224       | 1.2   |   |
| Textiles and Leather                                  | 4,288     | 1.0   | 4,699       | 1.4   |   |
| Utilities   | -         | -     | 5,931       | 1.7   |   |
| Total   | \$438,855 | 100.0 | % \$344,869 | 100.0 | % |

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## Note 5. Fair Value Measurements

The Company follows ASC Topic 820 for measuring fair value. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. The Company's fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical financial instruments at the measurement date.

Level 2: Inputs include quoted prices for similar financial instruments in active markets and inputs that are observable for the financial instruments, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs include significant unobservable inputs for the financial instruments and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial instrument. The following section describes the valuation techniques used by the Company to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

With the exception of money market funds held at large financial institutions (Level 1 investment), all of the financial instruments that were recorded at fair value as of June 30, 2011 were valued using Level 3 inputs of the fair value hierarchy. As of September 30, 2010, the Company also invested in commercial paper, which is a Level 2 investment. Level 1 assets are valued using quoted market prices. Level 2 assets are valued using market consensus prices that are corroborated by observable market data and quoted market prices for similar instruments. Financial instruments that are recorded at Level 3 of the valuation hierarchy are the Company's debt and equity investments. Level 3 assets are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms that have been engaged at the direction of the Board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process. This valuation process is conducted at the end of each fiscal quarter, with approximately 25% (based on fair value) of the Company's valuation of portfolio companies without readily available market quotations subject to review by an independent valuation firm.

When valuing Level 3 debt and equity investments, the Company may take into account the following factors, where relevant, in determining the fair value of the investments: the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar



investments may be made and other relevant factors. In addition, for certain debt and equity investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be willing to accept for an investment. The Company generally uses the midpoint of the bid/ask range as its best estimate of fair value of such investment. For valuation of the Company's total return swap, refer to disclosures in Note 7.

ASC Topic 820 requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. As a result, with the exception of the line item titled "debt" which is reported at cost, all assets and liabilities approximate fair value on the consolidated statements of financial condition due to their short maturity.

Due to the inherent uncertainty of determining the fair value of Level 3 investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be received or settled. Further, such investments are generally subject to legal and other restrictions or otherwise are less liquid than publicly traded instruments. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, the Company may realize significantly less than the value at which such investment had previously been recorded.

The Company's investments are subject to market risk. Market risk is the potential for changes in the value of investments due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments are traded.

The following table presents information about the Company's investments measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

| As of June 30, 2011:<br>Description | Fair Value Measurements Using |         |           |           |
|-------------------------------------|-------------------------------|---------|-----------|-----------|
|                                     | Level 1                       | Level 2 | Level 3   | Total     |
| Assets:                             |                               |         |           |           |
| Debt investments                    | \$-                           | \$-     | \$430,639 | \$430,639 |
| Equity investments                  | -                             | -       | 8,216     | 8,216     |
| Total return swap(1)                | -                             | -       | (262)     | (262)     |
| Money market account(2)             | 68,518                        | -       | -         | 68,518    |
|                                     | \$68,518                      | \$-     | \$438,593 | \$507,111 |

| As of September 30, 2010:<br>Description | Fair Value Measurements Using |          |           |           |
|--|-------------------------------|----------|-----------|-----------|
|  | Level 1                       | Level 2  | Level 3   | Total     |
| Assets:                                  |                               |          |           |           |
| Debt investments                         | \$-                           | \$-      | \$342,233 | \$342,233 |
| Equity investments                       | -                             | -        | 2,636     | 2,636     |
| Commercial paper debt securities(2)      | -                             | 86,235   | -         | 86,235    |
| Money market account(2)                  | 512                           | -        | -         | 512       |
|  | \$512                         | \$86,235 | \$344,869 | \$431,616 |

(1) Refer to Note 7 for additional disclosures.

(2) Included in cash and cash equivalents and restricted cash and cash equivalents on the consolidated statements of financial condition.

The net change in unrealized depreciation for the three and nine months ended June 30, 2011 reported within the net change in unrealized appreciation (depreciation) on investments in the Company's consolidated statements of operation attributable to the Company's Level 3 assets held as of June 30, 2011 was \$497 and \$(4), respectively.



The following table presents the changes in investments measured at fair value using Level 3 inputs:

|   | Nine months ended June 30, 2011 |                    |                      | Total      |
|---|---------------------------------|--------------------|----------------------|------------|
|   | Debt Investments                | Equity Investments | Total return swap(1) |            |
| Fair value, beginning of period                                     | \$342,233                       | \$ 2,636           | \$-                  | \$344,869  |
| Net change in unrealized (depreciation) appreciation on investments | 141                             | 117                | (262 )               | (4 )       |
| Realized gain on investments  | 1,997                           | -                  | -                    | 1,997      |
| Fundings of revolving loans, net                                    | 1,696                           | -                  | -                    | 1,696      |
| Fundings of investments   | 269,369                         | 5,463              | -                    | 274,832    |
| Proceeds from principal payments and sales of portfolio investments | (188,943 )                      | -                  | -                    | (188,943 ) |
| Amortization of discount and premium                                | 4,146                           | -                  | -                    | 4,146      |
| Fair value, end of period   | \$430,639                       | \$ 8,216           | \$(262 )             | \$438,593  |

(1) Refer to Note 7 for additional disclosures.

The following are the carrying values and fair values of the Company's debt liabilities as of June 30, 2011 and September 30, 2010. Fair value is calculated using discounted cash flows based on the Company's incremental borrowing rates for the debt and market prices for similar instruments at the measurement date.

|      | As of June 30, 2011 |            | As of September 30, 2010 |            |
|------|---------------------|------------|--------------------------|------------|
|      | Carrying Value      | Fair Value | Carrying Value           | Fair Value |
| Debt | \$ 222,300          | \$ 225,261 | \$ 174,000               | \$ 174,000 |

#### Note 6. Borrowings

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. As of June 30, 2011, the Company's asset coverage for borrowed amounts was 243.4%.

**Debt Securitization:** On July 16, 2010, the Company completed a \$300,000 term debt securitization ("Debt Securitization"). The notes offered in the Debt Securitization (the "Notes") were issued by the Issuer, and the Class A Notes and Class B Notes are secured by the assets held by the Issuer. The Debt Securitization was executed through a private placement of \$174,000 of Aaa/AAA Class A Notes which bear interest at three-month London Inter Bank Offered Rate ("LIBOR") plus 2.40%. The \$10,000 face amount of Class B Notes bears interest at a rate of three-month LIBOR plus 2.40%, and the \$116,000 face amount of Subordinated Notes does not bear interest. The Class A Notes are included in the June 30, 2011 and September 30, 2010 consolidated balance sheet. In partial consideration for the loans transferred to the Issuer as part of the Debt Securitization, Holdings retained all of the Class B and Subordinated Notes totaling \$10,000 and \$116,000, respectively, and all of the membership interests in the Issuer, which Holdings initially purchased for two hundred and fifty dollars.

During a period of up to three years from the closing date (which may be extended for two additional years, upon satisfaction of certain conditions), all principal collections received on the underlying collateral may be used by the Issuer to purchase new collateral under the direction of the Investment Adviser in its capacity as collateral manager of the Issuer and in accordance with the Company's investment strategy, allowing the Company to maintain the initial leverage in the securitization for such three-year period. The Notes are scheduled to mature on July 20, 2021.

The proceeds of the private placement of the Notes, net of expenses, were used to repay and terminate the Company's prior credit facility, which was a \$300,000 credit facility entered into on July 27, 2007. As part of the Debt Securitization, the Company entered into a master loan sale agreement with Holdings and the Issuer under which the Company agreed to sell or contribute certain senior secured and second lien loans (or participation interests therein) to Holdings, and Holdings agreed to sell or contribute such loans (or participation interests therein) to the Issuer and to purchase or otherwise acquire subordinated notes issued by the Issuer. The Notes are the secured obligations of the Issuer, and an indenture governing the Notes includes customary covenants and events of default.

The Investment Adviser serves as collateral manager to the Issuer under a collateral management agreement and receives a fee for providing these services. As a result, the Company has amended and restated its Investment Advisory Agreement to provide that the base management fee payable under such agreement is reduced by an amount equal to the total fees that are paid to the Investment Adviser by the Issuer for rendering such collateral management services.

As of June 30, 2011 and September 30, 2010, there were 76 and 77 portfolio companies with a total fair value of \$271,158 and \$272,836, respectively, securing the Notes. The pool of loans in the Debt Securitization must meet certain requirements, including asset mix and concentration, collateral coverage, term, agency rating, minimum coupon, minimum spread and sector diversity requirements.

The interest charged under the Debt Securitization is based on three-month LIBOR, which as of June 30, 2011 was 0.3%. For the three and nine months ended June 30, 2011, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.1% and 3.3%, respectively. For the three and nine months ended June 30, 2011, interest expense was \$1,179 and \$3,789, respectively. Cash paid for interest during the three and nine months ended June 30, 2011 was \$1,176 and \$4,025, respectively.

For the three and nine months ended June 30, 2010, the effective annualized average interest rate on the Company's prior credit facility was 1.6% and 1.2%, respectively. For the three and nine months ended June 30, 2010, interest expense was \$591 and 2,144, respectively. Cash paid for interest during the three and nine months ended June 30, 2010 was \$654 and \$2,188, respectively.

The classes, amounts, ratings and interest rates (expressed as a spread to LIBOR) of the Class A Notes are as follows:

| Description        | Class A Notes                |
|--------------------|------------------------------|
| Type               | Senior Secured Floating Rate |
| Amount Outstanding | \$174,000                    |
| Moody's Rating     | "Aaa"                        |
| S&P Rating         | "AAA"                        |
| Interest Rate      | LIBOR + 2.40%                |
| Stated Maturity    | July 20, 2021                |

SBA Debentures: As described in Note 1, on August 24, 2010, GC SBIC IV, L.P., a wholly owned subsidiary of the Company, received approval for a license from the SBA to operate an SBIC.

This license allows GC SBIC IV, L.P. to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by SBA and customary procedures. These debentures are non-recourse to the Company, have interest payable semi-annually and a ten-year maturity. The interest rate is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is \$225,000. It is possible that GC SBIC IV, L.P. will be constrained in its ability to issue SBA-guaranteed debentures in the future if other Golub Capital SBICs have already issued such debentures. As of June 30, 2011, Golub Capital operated two other SBIC licensees with an aggregate of \$139,970 of SBA-guaranteed debentures outstanding, leaving incremental borrowing capacity of a maximum of \$85,030 of SBA-guaranteed debentures for GC SBIC IV, L.P. and the two other SBIC licensees. As the two other SBIC licenses are limited to only making add-on investments in existing portfolio companies, the majority of the incremental borrowing capacity is available for GC SBIC IV L.P. The borrowing capacity of GC SBIC IV, L.P. could be expanded further if any other Golub Capital SBICs retire their SBA-guaranteed debentures.

GC SBIC IV, L.P. is able to borrow funds from the SBA against regulatory capital that is paid-in, subject to customary regulatory requirements including an examination by the SBA. As of June 30, 2011, the Company had committed and funded \$50,000 to GC SBIC IV, L.P. and had SBA debentures of \$48,300 outstanding which mature in March of 2021. The interest rate on \$20,000 of outstanding debentures was fixed on March 29, 2011 at an interest rate of 4.5%. Prior to this date, the Company was charged an interim financing rate of approximately 1.0%. The Company was also charged an interim financing rate of approximately 1.0% on the remaining \$28,300 of outstanding debentures. For the three and nine months ended June 30, 2011, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.7% and 2.9%, respectively. For the three and nine months ended June 30, 2011, interest expense was \$256 and \$328, respectively. Cash paid for interest during the three and nine months ended June 30, 2011 was zero and \$64, respectively.

As of June 30, 2011, the Company did not have any unfunded commitments from the SBA.

The Company applied for exemptive relief from the SEC on July 9, 2010 and filed amended applications on November 12, 2010, March 31, 2011, and June 14, 2011 to permit it to exclude the debt of GC SBIC IV, L.P. from the Company's 200% asset coverage test under the 1940 Act. If the Company receives an exemption for this SBA debt, the Company would have the ability to incur leverage in excess of the amounts it is currently permitted to incur under the 1940 Act.

The average debt outstanding (including both the debt under the Debt Securitization and the SBA debentures) for the three and nine months ended June 30, 2011 was \$206,471 and \$193,250, respectively. The average debt outstanding under the Company's prior credit facility for the three and nine months ended June 30, 2010 was \$150,327 and \$230,122, respectively.

For the three and nine months ended June 30, 2011, the effective annualized average interest rate on the Company's total debt outstanding was 3.2% and 3.2%, respectively.

A summary of our maturity requirements for borrowings as of June 30, 2011 is as follows:

|                                      | Payments Due by Period (In thousands) |                     |            |            |                         |
|--------------------------------------|---------------------------------------|---------------------|------------|------------|-------------------------|
|                                      | Total                                 | Less Than<br>1 Year | 1-3 Years  | 3-5 Years  | More<br>Than<br>5 Years |
| Debt Securitization                  | \$174,000                             | \$-                 | \$-        | \$-        | \$174,000               |
| SBA Debentures                       | 48,300                                | -                   | -          | -          | 48,300                  |
| <b>Total contractual obligations</b> | <b>\$222,300</b>                      | <b>\$-</b>          | <b>\$-</b> | <b>\$-</b> | <b>\$222,300</b>        |

#### Note 7. Total Return Swap

On June 17, 2011, GCMF entered into a total return swap ("TRS") with Citibank, N.A. ("Citibank"). The purpose of entering into the TRS was to gain economic exposure to a portfolio of broadly syndicated loans. Generally, under the terms of a total return swap, one party agrees to make periodic payments to another party based on the change in the market value of the assets underlying the total return swap, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate. A total return swap is typically used to obtain exposure to a security or market without owning or taking physical custody of such security or investing directly in such market.

Under the terms of the TRS, the Company has the ability to recommend purchases of loans, but all investment decisions are subject to approval by Citibank. The loans are purchased in the open market by Citibank at fair value. The maximum fair value of the portfolio loans subject to the TRS is \$100,000 (determined at the time each such loan becomes subject to the TRS).

In order for Citibank to purchase a loan for the TRS, each individual loan, and the portfolio of loans taken as a whole, must meet certain specified criteria. The Company receives from Citibank all interest and fees payable in respect of the loans included in the portfolio. The Company pays to Citibank interest at a rate equal to three-month LIBOR plus 1.2% per annum based on the settled notional value of the TRS. In addition, upon the termination or repayment of any loan subject to the TRS, the Company will either receive from Citibank the appreciation in the value of such loan, or pay to Citibank any depreciation in the value of such loan. On a quarterly basis, net payment between GCMF and Citibank for interest and realized appreciation and depreciation on the portfolio of loans occurs. The Company is



also required to post additional collateral from time to time as a result of a decline in the fair value of the portfolio of loans subject to the TRS.

The obligations of GCMF under the TRS are non-recourse to the Company, and the Company's exposure under the TRS is limited to the value of its investment and cash collateral. GCMF subsequently is required to cash collateralize 20% of the fair value of each loan included under the TRS. This investment generally will equal the value of cash collateral provided by GCMF under the TRS plus any unrealized appreciation (depreciation) on the investment.

The Company acts as the manager of the rights and obligations of GCMF under the TRS.

Citibank may terminate the TRS on or after the third anniversary of the effectiveness of the TRS. The Company may terminate the TRS at any time upon providing no less than 30 days prior notice to Citibank.

As of June 30, 2011, the fair value of the TRS was \$(262). The TRS is reflected on the Company's consolidated statements of financial condition as investments, at fair value. The change in value of the TRS, which was \$(262) for the three and nine month periods ended June 30, 2011, is reflected in the consolidated statements of operations as net change in unrealized appreciation (depreciation) on investments. Realized gains and losses on the TRS are composed of any gains or losses on the underlying portfolio of loans as well as the net interest received or owed at the time of the quarterly settlement. Unrealized gains and losses on the TRS are composed of the net interest income earned or interest expense owed during the period that was not previously settled as well as the change in fair value of the underlying portfolio of loans.

As of June 30, 2011, the TRS has a portfolio with a notional value of \$55,947 and, through GCMF, the Company had a due from broker in the amount of \$11,460, which represents collateral held at Citibank. Of the \$55,947 of notional value at June 30, 2011, \$46,478 represented loans that were sold by the Company to various third party brokers at fair value, which were subsequently, independently purchased at a fair value of \$46,460 by Citibank for the TRS. Additionally, the Company, through GCMF, has a payable to Citibank in the amount of \$860, reflected on the consolidated statements of financial condition as due to broker. The Moody's weighted average rating of the underlying portfolio of loans within the TRS was B1 at June 30, 2011.

#### Note 8. Commitments and Contingencies

**Commitments:** The Company had outstanding commitments to fund investments totaling \$42,986 and \$26,622 under various undrawn revolvers and other credit facilities as of June 30, 2011 and September 30, 2010, respectively.

**Indemnifications:** In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as these involve future claims that may be made against the Company but that have not occurred. The Company expects the risk of any future obligations under these indemnifications to be remote.

**Concentration of credit risk:** Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company is engaged in a TRS transaction with a counterparty. In the event that the counterparty does not fulfill its obligation, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**Legal proceedings:** In the normal course of business, the Company may be subject to legal and regulatory proceedings that are generally incidental to its ongoing operations. While there can be no assurance of the ultimate disposition of any such proceedings, the Company does not believe their disposition will have a material adverse effect on the Company's consolidated financial statements.



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Note 9. Financial Highlights

The financial highlights for the Company are as follows:

| Per share data(1):  | Nine months ended June 30, |   |            |     |
|---|----------------------------|---|------------|-----|
|   | 2011                       |   | 2010       |     |
| Net asset value at beginning of period  | \$ 14.71                   |   | N/A        | (4) |
| Net increase in net assets as a result of public offering                           | 0.06                       |   | N/A        | (4) |
| Costs related to public offering  | (0.04)                     | ) | N/A        | (4) |
| Dividends and distributions declared  | (0.95)                     | ) | N/A        | (4) |
| Net investment income   | 0.86                       |   | N/A        | (4) |
| Change in unrealized depreciation on investments                                    | -                          |   | N/A        | (4) |
| Net realized gain on investments  | 0.11                       |   | N/A        | (4) |
| Net asset value at ending of period   | \$ 14.75                   |   | \$ 14.67   |     |
| Per share market value at end of period   | \$ 14.93                   |   | N/A        | (4) |
| Total return based on market value(2)   | 3.79                       | % | N/A        |     |
| Total return based on average net asset value/members' equity(3)                    | 6.52                       | % | 12.80      | %   |
| Shares outstanding at end of period   | 21,733,903                 |   | 17,712,444 |     |
| <b>Ratios/Supplemental Data:</b>  |                            |   |            |     |
| Ratio of expenses (without incentive fees) to average net assets/members' equity(5) | 5.43                       | % | 5.69       | %   |
| Ratio of incentive fees to average net assets/members' equity(5)                    | 0.25                       | % | 0.03       | %   |
| Ratio of total expenses to average net assets/members' equity(5)                    | 5.68                       | % | 5.72       | %   |
| Ratio of net investment income to average net assets/members' equity(5)             | 7.77                       | % | 16.32      | %   |
| Net assets at end of period   | \$ 320,523                 |   | \$ 259,785 |     |
| Average debt outstanding  | \$ 193,250                 |   | \$ 230,122 |     |
| Average debt outstanding per share  | \$ 8.89                    |   | \$ 12.99   |     |
| Portfolio turnover(5)   | 64.52                      | % | 49.27      | %   |

(1) Based on actual number of shares outstanding at the end of the corresponding period or the weighted average shares outstanding for the period, unless otherwise noted, as appropriate.

(2) Total return based on market value assumes dividends are reinvested.

(3) Total return based on average net asset value is not annualized.

(4) Per share data are not provided as the Company did not have shares of common stock outstanding or an equivalent prior to the Offering on April 14, 2010.

(5) Annualized.

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Note 10. Earnings Per Share

The following information sets forth the computation of the net increase in net assets per share resulting from operations for the three and nine months ended June 30, 2011:

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|   | Three months ended June 30, |            | Nine months ended |
|---|-----------------------------|------------|-------------------|
|   | 2011                        | 2010       | June 30, 2011     |
| Earnings available to stockholders                    | \$ 6,520                    | \$ 4,715   | \$ 18,358         |
| Basic and diluted weighted average shares outstanding | 21,319,348                  | 16,255,783 | 18,923,395        |
| Basic and diluted earnings per share                  | \$ 0.31                     | \$ 0.29    | \$ 0.97           |

For historical periods that include financial results prior to April 1, 2010, the Company did not have common shares outstanding or an equivalent; therefore, earnings per share and weighted average shares outstanding information for the nine months ended June 30, 2010 are not provided.

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**Note 11. Dividends and Distributions**

The Company's dividends and distributions are recorded on the record date. The following table summarizes the Company's dividend declaration and distribution during the nine month period ending June 30, 2011.

| Date Declared | Record Date | Payment Date | Amount Per Share | Cash Distribution | DRIP Shares Issued | DRIP Shares Value |
|---------------|-------------|--------------|------------------|-------------------|--------------------|-------------------|
| 12/08/2010    | 12/20/2010  | 12/30/2010   | \$ 0.31          | \$ 5,028          | 25,753             | \$ 462            |
| 02/08/2011    | 03/18/2011  | 03/30/2011   | \$ 0.32          | \$ 5,375          | 17,779             | \$ 303            |
| 05/03/2011    | 06/17/2011  | 06/29/2011   | \$ 0.32          | \$ 6,583          | 24,670             | \$ 364            |

**Note 12. Subsequent Events**

On August 4, 2011, the Company's Board declared a quarterly distribution of \$0.32 per share payable on September 28, 2011 to holders of record as of September 19, 2011.

On July 21, 2011, GC SBIC IV, L.P. received a \$51,700 debenture capital commitment from the SBA. The commitment may be drawn upon subject to customary SBA procedures. With the additional commitments, GC SBIC IV, L.P. now has total debenture commitments and outstandings totaling \$100,000.

**Revolving Credit Facility**

On July 21, 2011, Golub Capital BDC Funding LLC ("Funding"), a wholly owned subsidiary of the Company, entered into a \$75 million senior, secured revolving credit facility (the "Credit Facility") with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender.

Under the Credit Facility, which matures on October 21, 2015, the lender has agreed to extend credit to Funding in an aggregate principal amount of \$75 million. Funding's ability to draw under the Credit Facility is scheduled to terminate on October 20, 2012. The period from the closing date until October 20, 2012 is referred to as the reinvestment period. All amounts outstanding under the Credit Facility are required to be repaid by October 21, 2015. Through the reinvestment period, the Credit Facility bears interest at LIBOR plus 2.25% per annum. After the reinvestment period, the rate will reset to LIBOR plus 2.75% per annum for the remaining term of the Credit Facility.

The Credit Facility is secured by all of the assets held by Funding, and the Company has pledged its interests in Funding as collateral to Wells Fargo Bank, N.A., as the collateral agent, under an ancillary agreement to secure the obligations of the Company as the transferor and servicer under the Credit Facility. Both the Company and Funding have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. Borrowing under the Credit Facility is subject to the leverage restrictions contained in the Investment Company Act of 1940, as amended.

The Company plans to transfer certain loans and debt securities it has originated or acquired from time to time to Funding through a Purchase and Sale Agreement (the "Purchase and Sale Agreement") and may cause Funding to originate or acquire loans in the future, consistent with the Company's investment objectives. The Company serves as servicer to Funding under the Credit Facility.



Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. For periods prior to April 13, 2010, the consolidated financial statements and related footnotes reflect the performance of Golub Capital BDC LLC and its predecessor and wholly owned subsidiary, Golub Capital Master Funding LLC, or GCMF, which was formed on June 6, 2007. In this report, “we,” “us,” “our” and “Golub Capital BDC” refer to Golub Capital BDC, Inc. and its consolidated subsidiaries.

Forward-Looking Statements

Some of the statements in this quarterly report on Form 10-Q constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the effect of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with our investment adviser, GC Advisors LLC, or GC Advisors, and other affiliates of Golub Capital Incorporated and Golub Capital Management LLC, collectively, Golub Capital;
- the dependence of our future success on the general economy and its effect on the industries in which we invest;
  - the ability of our portfolio companies to achieve their objectives;
  - the use of borrowed money to finance a portion of our investments;
  - the adequacy of our financing sources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of GC Advisors to locate suitable investments for us and to monitor and administer our investments;
  - the ability of GC Advisors or its affiliates to attract and retain highly talented professionals;
  - our ability to qualify and maintain our qualification as a RIC and as a business development company;
- the impact on our business of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations issued thereunder; and
  - the effect of changes to tax legislation and our tax position.

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words “may,” “might,” “will,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “estimate,” “anticipate,” “predict” or similar words. The forward looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, many of which are beyond our control and difficult to predict. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as “Risk Factors” and elsewhere in this quarterly report on Form 10-Q.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the Securities and Exchange Commission, or the SEC, including annual reports on Form 10-K, registration statements on Form N-2, quarterly reports on Form 10-Q and current reports on Form 8-K.



You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to this quarterly report on Form 10-Q.

## Overview

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. We were formed in November 2009 to continue and expand the business of our predecessor, GCMF, which commenced operations in July 2007, in making investments in senior secured, unitranche (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), mezzanine (a loan that ranks senior only to a borrower's equity securities and ranks junior to all of such borrower's other indebtedness in priority of payment) and second lien loans of middle-market companies that are, in most cases, sponsored by private equity firms.

Our shares are currently listed on The NASDAQ Global Select Market under the symbol "GBDC".

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$4.8 billion of capital under management as of June 30, 2011, (2) selecting investments within our core middle-market company focus, (3) partnering with experienced private equity firms, or sponsors, in many cases with whom we have invested alongside in the past, (4) implementing the disciplined underwriting standards of Golub Capital and (5) drawing upon the aggregate experience and resources of Golub Capital.

Our investment activities are managed by GC Advisors and supervised by our board of directors, or Board, of which a majority of the members are independent of us.

Under an investment advisory agreement, or the Investment Advisory Agreement, entered into on April 14, 2010, and amended and restated on July 16, 2010, we have agreed to pay GC Advisors an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. We have also entered into an administration agreement with GC Service Company, LLC, or GC Service, under which we have agreed to reimburse GC Service for our allocable portion (subject to the review and approval of our independent directors) of overhead and other expenses incurred by GC Service in performing its obligations under the Administration Agreement.

We seek to create a diverse portfolio that includes senior secured, unitranche, mezzanine and second lien loans and warrants and minority equity securities by investing approximately \$5 to \$25 million of capital, on average, in the securities of middle-market companies. We may also selectively invest more than \$25 million in some of our portfolio companies and generally expect that the size of our individual investments will vary proportionately with the size of our capital base.

As of June 30, 2011, our portfolio at fair value was comprised of 47.4% senior secured loans, 34.8% unitranche loans, 5.4% second lien loans, 10.6% mezzanine loans, 1.9% equity and (0.1)% total return swap. As of September 30, 2010, our portfolio at fair value was comprised of 65.8% senior secured loans, 26.2% unitranche loans, 3.3% second lien loans, 3.9% mezzanine loans and 0.8% equity. Over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets.

As of June 30, 2011 and September 30, 2010, we had debt investments in 99 and 94 portfolio companies, respectively. For the three months ended June 30, 2011 and September 30, 2010, our income producing loans, which represented nearly 100% of our total portfolio, had a weighted average annualized interest income (which excludes income

resulting from amortization of fees and discounts) yield of 8.6% and 8.1% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 9.6% and 9.8%, respectively.

**Revenues:** We generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on portfolio company investments that we originate or acquire. Our debt investments, whether in the form of senior secured, unitranche, mezzanine or second lien loans, typically have a term of three to seven years and bear interest at a fixed or floating rate. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or payment-in-kind, or PIK, interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums on loans as interest income. When we receive partial principal payments on a loan in an amount that exceeds its amortized cost, we record the excess principal payment as interest income. Dividend income, if any, is recognized on an accrual basis to the extent that we expect to collect such amounts.

Expenses: Our primary operating expenses include the payment of fees to GC Advisors under the Investment Advisory Agreement, our allocable portion of overhead expenses under the Administration Agreement and other operating costs described below. Additionally, we pay interest expense on our outstanding debt. We bear all other out-of-pocket costs and expenses of our operations and transactions, including:

- organizational expenses;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- fees and expenses incurred by GC Advisors payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance our investments and expenses related to unsuccessful portfolio acquisition efforts;
  - offerings of our common stock and other securities;
  - investment advisory and management fees;
- administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and GC Service based upon our allocable portion of GC Service's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our chief compliance officer, chief financial officer and their respective staffs);
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with evaluating and making, investments in portfolio companies, including costs associated with meeting financial sponsors;
  - transfer agent, dividend agent and custodial fees and expenses;
  - U.S. federal and state registration and franchise fees;
  - independent directors' fees and expenses;
  - costs of preparing and filing reports or other documents required by the SEC or other regulators;
  - costs of any reports, proxy statements or other notices to stockholders, including printing costs;
    - costs associated with individual or group stockholders;
- our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
  - proxy voting expenses; and
  - all other expenses incurred by us or GC Service in connection with administering our business.

During periods of asset growth, we expect our general and administrative expenses to be relatively stable or decline as a percentage of total assets and increase during periods of asset declines. Incentive fees, interest expenses and costs relating to future offerings of securities would be additive to the expenses described above.

GC Advisors, as collateral manager for the Golub Capital BDC 2010-1 LLC, or the Securitization Issuer, under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee. Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term "collection period" refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may

be waived by the collateral manager. The collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the initial structuring of the Debt Securitization. The Securitization Issuer also agreed to pay ongoing administrative expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports, and providing required services in connection with, the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap.

## Recent Developments

On June 17, 2011, we, through GCMF, entered into a total return swap, or the TRS, with Citibank, N.A., or Citibank. The purpose of entering into the TRS was to gain economic exposure to a portfolio of broadly syndicated loans. Generally, under the terms of a total return swap, one party agrees to make periodic payments to another party based on the change in the market value of the assets underlying the total return swap, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate. A total return swap is typically used to obtain exposure to a security or market without owning or taking physical custody of such security or investing directly in such market.

Under the terms of the TRS, we have the ability to recommend purchases of loans, but all investment decisions are subject to approval by Citibank. The loans are purchased in the open market by Citibank at fair value. The maximum fair value of the portfolio loans subject to the TRS is \$100,000 (determined at the time each such loan becomes subject to the TRS).

In order for Citibank to purchase a loan for the TRS, each individual loan, and the portfolio of loans taken as a whole, must meet certain specified criteria. We receive from Citibank all interest and fees payable in respect of the loans included in the portfolio. We pay to Citibank interest at an annual rate equal to three-month London Interbank Offered Rate, or LIBOR, plus 1.2% based on the settled notional value of the TRS. In addition, upon the termination or repayment of any loan subject to the TRS, we will either receive from Citibank the appreciation in the value of such loan, or pay to Citibank any depreciation in the value of such loan. On a quarterly basis, net payment between GCMF and Citibank for interest and realized appreciation and depreciation on the portfolio of loans occurs. We are required to post additional collateral from time to time as a result of a decline in the fair value of the portfolio of loans subject to the TRS.

The obligations of GCMF under the TRS are non-recourse to us, and our exposure under the TRS is limited to the value of our investment and cash collateral. GCMF subsequently is required to cash collateralize 20% of the market value of each loan included under the TRS. This investment generally will equal the value of cash collateral provided by GCMF under the TRS plus any unrealized appreciation (depreciation) on the investment.

We act as the manager of the rights and obligations of GCMF under the TRS.

Citibank may terminate the TRS on or after the third anniversary of the effectiveness of the TRS. We may terminate the TRS at any time upon providing no less than 30 days, prior notice to Citibank.

As of June 30, 2011, the fair value of the TRS was \$(0.3) million. The TRS is reflected on the our consolidated statements of financial condition as investments, at fair value. The change in value of the TRS, which was \$(0.3) million for the three and nine month periods ended June 30, 2011, is reflected in the consolidated statements of operations as net change in unrealized appreciation (depreciation) on investments. Realized gains and losses on the TRS are composed of any gains or losses on the underlying portfolio of loans as well as the net interest received or owed at the time of the quarterly settlement. Unrealized gains and losses on the TRS are composed of the net interest income earned or interest expense owed during the period that was not previously settled as well as the change in fair value of the underlying portfolio of loans.

As of June 30, 2011, the TRS has a portfolio with a notional value of \$55.9 million, and through GCMF, we had a due from broker in the amount of \$11.5 million, which represents collateral held at Citibank. Of the \$55.9 million of notional value at June 30, 2011, \$46.5 million represented loans that were sold by us to various third party brokers at fair value, which were subsequently, independently purchased at a fair value of \$46.5 million by Citibank for the TRS. Additionally, we have a payable to Citibank in the amount of \$0.9 million, reflected on the consolidated statements of financial condition as due to broker. The Moody's weighted average rating of the underlying portfolio of loans within the TRS was B1 at June 30, 2011.

#### Revolving Credit Facility

On July 21, 2011, Golub Capital BDC Funding, our wholly owned subsidiary, or Funding, entered into a \$75 million senior, secured revolving credit facility with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender.

Under the Credit Facility, which matures on October 21, 2015, the lender has agreed to extend credit to Funding in an aggregate principal amount of \$75 million. Funding's ability to draw under the Credit Facility is scheduled to terminate on October 20, 2012. The period from the closing date until October 20, 2012 is referred to as the reinvestment period. All amounts outstanding under the Credit Facility are required to be repaid by October 21, 2015. Through the reinvestment period, the Credit Facility bears interest at an annual interest rate equal to LIBOR plus 2.25%. After the reinvestment period, the annual interest rate will reset to LIBOR plus 2.75% for the remaining term of the Credit Facility.

The Credit Facility is secured by all of the assets held by Funding, and we have pledged our interests in Funding as collateral to Wells Fargo Bank, N.A., as the collateral agent, under an ancillary agreement to secure our obligations as the transferor and servicer under the Credit Facility. We have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. Borrowing under the Credit Facility is subject to the leverage restrictions contained in the 1940 Act.

We plan to transfer certain loans and debt securities we have originated or acquired from time to time to Funding through a purchase and sale agreement and may cause Funding to originate or acquire loans in the future, consistent with our investment objectives. We serve as servicer to Funding under the Credit Facility.

On August 4, 2011, our Board declared a quarterly distribution of \$0.32 per share payable on September 28, 2011 to holders of record as of September 19, 2011.

On July 21, 2011, GC SBIC IV, L.P. received a \$51.7 million debenture capital commitment from the Small Business Administration, or SBA. The commitment may be drawn upon subject to customary SBA procedures. With the additional commitments, GC SBIC IV, L.P. now has total debenture commitments and outstandings totaling \$100,000.

#### Consolidated Results of Operations

The consolidated results of operations set forth below include historical financial information of our predecessor, GCMF, prior to our election to become a business development company and our election to be treated as a RIC for U.S. federal income tax purposes. As a business development company and a RIC, we are also subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code. Also, the management fee that we pay to GC Advisors under the Investment Advisory Agreement is determined by reference to a formula that differs materially from the management fee paid by GCMF in prior periods. In addition, our portfolio of investments consisted primarily of senior secured and unitranche loans as of June 30, 2011 and 2010, and over time we expect that

senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets. For these and other reasons, the results of operations for the three and nine-month periods ended June 30, 2011 and 2010 described below may not be indicative of the results we report in future periods.



Consolidated operating results for the three and nine months ended June 30, 2011 and 2010 are as follows:

|   | For the three months ended June 30, |            | For the nine months ended June 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2011                                | 2010       | 2011                               | 2010       |
|   | (In thousands)                      |            | (In thousands)                     |            |
| Total investment income   | \$ 10,071                           | \$ 7,230   | \$ 28,319                          | \$ 25,718  |
| Total expenses  | 4,119                               | 2,415      | 11,954                             | 6,703      |
| Net investment income   | 5,952                               | 4,815      | 16,365                             | 19,015     |
| Net realized gains (losses)   | 71                                  | -          | 1,997                              | -          |
| Net change in unrealized<br>(depreciation) appreciation on<br>investments | 497                                 | (100 )     | (4 )                               | 985        |
| Net income  | \$ 6,520                            | \$ 4,715   | \$ 18,358                          | \$ 20,000  |
| Average portfolio company<br>investments, at fair value                   | \$ 439,103                          | \$ 281,264 | \$ 390,714                         | \$ 310,495 |
| Average debt outstanding  | \$ 206,471                          | \$ 150,327 | \$ 193,250                         | \$ 230,122 |

Net income can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

#### Investment Income

Investment income increased by \$2.8 million, or 39.3%, for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. The increase in investment income was primarily a result of an increase in the average balance of investments as well as an increase on the yield of income producing loans, which was partially offset by a decrease in income from the amortization of discounts and origination fees. For the three months ended June 30, 2011, total investment income consisted of \$9.1 million in interest income from investments and \$1.0 million in income from the amortization of discounts and origination fees. For the three months ended June 30, 2010, total investment income consisted of \$5.5 million in interest income and \$1.7 million in income from the amortization of discounts and origination fees.

Investment income increased by \$2.6 million, or 10.1%, for the nine months ended June 30, 2011 as compared to the nine months ended June 30, 2010. The increase in investment income was primarily a result of an increase in the average balance of investments as well as an increase on the yield of income producing loans, which were partially offset by a decrease in income from the amortization of discounts and origination fees. For the nine months ended June 30, 2011, total investment income consisted of \$24.2 million in interest income from investments and \$4.1 million in income from the amortization of discounts and origination fees. For the nine months ended June 30, 2010, total investment income consisted of \$19.1 million in interest income and \$6.6 million in income from the amortization of discounts and origination fees.

#### Expenses

Total expenses increased by \$1.7 million, or 70.6%, to \$4.1 million for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. For the same period, total interest and other debt financing expenses increased by \$1.0 million or 177% and all other expenses increased by \$0.7 million, or 36.1%. Total expenses increased by \$5.3 million, or 78.3%, to \$12.0 million for the nine months ended June 30, 2011 as compared to the nine months ended June 30, 2010. For the same period, total interest expense increased by \$2.6 million, or 118.3%, and all other expenses increased by \$2.7 million, or 59.5%.

Interest expense was higher in the three and nine months ended June 30, 2011 than the three and nine months ended June 30, 2010 due to a higher average debt outstanding balance for the three and nine months ended June 30, 2011 as well as higher average interest rates on the debt outstanding at June 30, 2011.

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Excluding interest expense, expenses increased for the three month period ended June 30, 2011 compared to the three month period ended June 30, 2010 primarily due to an increase in management fees. The increase in management fees was driven by higher average assets at June 30, 2011 compared to June 30, 2010.

Excluding interest expense, expenses increased for the nine month period ended June 30, 2011 compared to the nine month period ended June 30, 2010 due to an increase in professional fees, management fees, incentive fees, administrative service fees and general administrative expenses as a result of us becoming a public entity. Professional fees increased due to higher legal, audit and valuation services. In addition, following the completion of our initial public offering, we accrued management and incentive fees under the Investment Advisory Agreement, which provides for a higher management fee percentage as compared to amounts previously paid by GCMF. In addition, this agreement provides for the calculation of an incentive fee, which was \$0.5 million higher for the nine months ended June 30, 2011 than the nine months ended June 30, 2010. Prior to completion of our initial public offering, we did not pay an incentive fee or an administrative servicing fee.

Prior to completion of our initial public offering, Golub Capital Incorporated, or the Investment Manager, paid for certain expenses on behalf of GCMF, all of which were subsequently reimbursed directly with cash or through a member's equity contribution. Subsequent to our initial public offering, GC Advisors, an affiliate of the Investment Manager, pays for certain expenses incurred by us. These expenses are subsequently reimbursed in cash. Total expenses reimbursed to GC Advisors and the Investment Manager, as applicable, for the three and nine months ended June 30, 2011 were \$0.1 million and \$0.3 million, respectively.

Total expenses reimbursed to GC Advisors and the Investment Manager, as applicable, for the three and nine months ended June 30, 2010 were \$0.2 million and \$0.6 million, respectively. Of these amounts, for the three and nine months ended June 30, 2010, zero and \$0.2 million were reimbursed via a members' equity contribution, respectively.

As of June 30, 2011 and September 30, 2010, included in accounts payable and accrued expenses were \$0.1 million and \$0.1 million, respectively, for accrued expenses paid on behalf of us by the GC Advisors.

#### Net Realized and Unrealized Gains and Losses

During the three and nine months ended June 30, 2011, we had \$0.1 million and \$2.0 million in net realized gains, respectively. For the three months ended June 30, 2011, we had \$2.1 million in unrealized appreciation on 29 portfolio company investments, which was partially offset by \$1.3 million in unrealized depreciation on 78 portfolio company investments and unrealized depreciation of \$0.3 million on the total return swap. For the nine months ended June 30, 2011, we had \$6.0 million in unrealized appreciation on 57 portfolio company investments, which was fully offset by \$5.7 million in unrealized depreciation on 72 portfolio company investments and unrealized depreciation of \$0.3 million on the total return swap.

Unrealized appreciation during the three and nine months ended June 30, 2010 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit related adjustments which caused a reduction in fair value.

During the three and nine months ended June 30, 2010, we had \$0 and \$0 in net realized losses and \$3.2 million and \$11.8 million in unrealized appreciation on 49 and 79 portfolio company investments, respectively. These amounts offset unrealized depreciation on 53 and 49 portfolio company investments totaling \$3.3 million and \$10.8 million, respectively. Unrealized appreciation during the three and nine months ended June 30, 2010 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit related adjustments which caused a reduction in fair value.

## Liquidity and Capital Resources

As a business development company, we distribute substantially all of our net income to our stockholders and will have an ongoing need to raise additional capital for investment purposes. To fund growth, we have a number of alternatives available to increase capital, including raising equity, increasing debt, including through one or more additional securitization facilities, and funding from operational cash flow.

For the nine months ended June 30, 2011, we experienced a net decrease in cash and cash equivalents of \$17.1 million. During the period we used \$107.9 million in operating activities, primarily as a result of fundings of portfolio investments of \$286.3 million. This was partially offset by proceeds from principal payments of \$108.9 million and sales of portfolio investments of \$80.1 million and net investment income of \$16.4 million. During the same period, cash provided by financing activities was \$88.3 million, primarily due to net proceeds from the follow-on offering of \$59.4 million and borrowings on debt of \$48.3 million, partially offset by distributions paid of \$17.0 million. Lastly, net cash provided by investing activities was \$2.5 million as a result of a decrease in restricted cash and cash equivalents.

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For the nine months ended June 30, 2010, there was an increase in cash and cash equivalents of \$71.4 million. During the period, cash provided by operating activities was \$120.0 million, primarily a result of proceeds from principal payments of \$118.0 million and net investment income of \$19.0 million. During the same period, cash used in financing activities was \$46.5 million, which was primarily a result of repayments of debt of \$193.5 million and payments of members' equity distributions of \$13.5 million, partially offset by net proceeds from our initial public offering of \$119.0 million and proceeds from members' equity contributions of \$47.2 million. Lastly, net cash used in investment activities was \$2.1 million as a result of an increase in restricted cash and cash equivalents.

As of June 30, 2011 and September 30, 2010, we had cash and cash equivalents of \$44.1 million and \$61.2 million, respectively. In addition, we had restricted cash and cash equivalents of \$29.3 million and \$31.8 million as of June 30, 2011 and September 30, 2010, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. \$20.2 million of our restricted cash and cash equivalents can be used to fund new investments that meet the investment guidelines established in the Debt Securitization, which are described in further detail in Note 6 to our consolidated financial statements, and for the payment of interest expense on the notes issued in the Debt Securitization. The remaining \$9.1 million of restricted cash and cash equivalents can be used to fund new investments that meet the regulatory and investment guidelines established by the SBA for our small business investment company, which are described in further detail in Note 6 to our consolidated financial statements, and for interest expense and fees on our outstanding SBA debentures.

At June 30, 2011 and September 30, 2010, our investment portfolio included \$3.9 million and \$48.2 million, respectively, in liquid, broadly syndicated loans that we anticipate selling in future periods as we find opportunities to redeploy those assets into higher yielding investments. For the three and nine months ended June 30, 2011, we had sales of broadly syndicated loans in 15 and 29 portfolio companies aggregating approximately \$34.3 million and \$62.0 million, respectively.

Although we expect to fund the growth of our investment portfolio through the net proceeds from future securities offerings and through our dividend reinvestment plan as well as future borrowings, to the extent permitted by the 1940 Act, we cannot assure you that our efforts to raise capital will be successful. In addition to capital not being available, it also may not be available on favorable terms.

We believe that our existing cash and cash equivalents as of June 30, 2011 will be sufficient to fund our anticipated requirements through at least June 30, 2012.

#### Portfolio Composition, Investment Activity and Yield

As of June 30, 2011 and September 30, 2010, we had investments in 99 and 94 portfolio companies, respectively, with a total value of \$438.9 million and \$344.9 million, respectively. As of June 30, 2011 and September 30, 2010, we had a total return swap with a fair value of \$(0.3) million and zero, respectively. For the three months ended June 30, 2011 we funded 24 senior secured loans, seven unitranche loans, five subordinated loans and four equity securities with values of \$57.8 million, \$44.4 million, \$21.4 million and \$1.2 million, respectively. For the nine months ended June 30, 2011, we funded 56 senior secured loans, 13 unitranche loans, four second lien loans, eight subordinated loans and 12 equity securities have values of \$135.1 million, \$82.2 million, \$19.6 million, \$32.5 million and \$5.4 million, respectively.

For both the three and nine months ended June 30, 2010, we originated five senior secured loans and one subordinated loan having values of \$12.5 million and \$3.8 million, respectively.

For the three and nine months ended June 30, 2011, we had approximately \$33.5 million and \$108.9 in debt repayments, respectively. For the three and nine months ended June 30, 2011, we had sales of securities in 19 and 37

portfolio companies aggregating approximately \$46.2 million and \$80.1 million, respectively.

For the three and nine months ended June 30, 2010 we had approximately \$34.6 million and \$118.0 million in debt repayments in existing portfolio companies, respectively. There were no sales of securities during the three and nine months ended June 30, 2010.

The following table shows the weighted average rate, spread over LIBOR and fees on investments originated and the weighted average rate on full principal payments and sales of investments during the three and nine months ended June 30, 2011 and 2010.

|   | Three months ended<br>June 30, 2011 |   | Three months ended<br>June 30, 2010 |   | Nine months ended<br>June 30, 2011 |   | Nine months ended<br>June 30, 2010 |   |
|---|-------------------------------------|---|-------------------------------------|---|------------------------------------|---|------------------------------------|---|
| Weighted average rate of new investment fundings                  | 7.8                                 | % | 8.9                                 | % | 8.1                                | % | 8.9                                | % |
| Weighted average spread over LIBOR of new investment fundings     | 6.7                                 | % | 7.0                                 | % | 6.6                                | % | 7.0                                | % |
| Weighted average fees of new investment fundings                  | 1.5                                 | % | 2.1                                 | % | 1.6                                | % | 2.1                                | % |
| Weighted average rate of sales and payoffs of portfolio companies | 5.7                                 | % | 5.5                                 | % | 6.2                                | % | 6.4                                | % |

The following table shows the new investment fundings and payoffs of portfolio companies and sales of investments during the three and nine months ended June 30, 2011 and 2010:

|  | For the three months ended June 30,<br>2011 |         | For the three months ended June 30,<br>2010 |        | For the nine months ended June 30,<br>2011 |         | For the nine months ended June 30,<br>2010 |         |
|--|---|---------|---|--------|--|---------|--|---------|
| New investment fundings                  | \$  | 124,837 | \$  | 16,314 | \$   | 274,831 | \$   | 16,314  |
| Payoffs of portfolio companies and sales |   | 79,627  |   | 34,627 |  | 188,943 |  | 117,959 |

The following table shows the par, amortized cost and fair value of our portfolio of investments, excluding our total return swap, by asset class

|                           | As of June 30, 2011 (1) |                  |                  | As of September 30, 2010 (1) |                  |                  |
|---------------------------|-------------------------|------------------|------------------|------------------------------|------------------|------------------|
|                           | Par                     | Amortized Cost   | Fair Value       | Par                          | Amortized Cost   | Fair Value       |
|                           | (In thousands)          |                  |                  |                              |                  |                  |
| <b>Senior Secured:</b>    |                         |                  |                  |                              |                  |                  |
| Performing                | \$208,977               | \$205,742        | \$204,492        | \$231,404                    | \$223,962        | \$223,953        |
| Non-accrual(2)            | 5,659                   | 5,413            | 3,360            | 4,422                        | 4,346            | 3,095            |
| <b>Unitranche:</b>        |                         |                  |                  |                              |                  |                  |
| Performing                | 153,916                 | 151,374          | 152,680          | 91,931                       | 90,309           | 90,369           |
| Non-accrual(2)            | -                       | -                | -                | -                            | -                | -                |
| <b>Second Lien(3):</b>    |                         |                  |                  |                              |                  |                  |
| Performing                | 23,769                  | 23,290           | 23,769           | 11,396                       | 11,192           | 11,380           |
| Non-accrual(2)            | -                       | -                | -                | -                            | -                | -                |
| <b>Subordinated Debt:</b> |                         |                  |                  |                              |                  |                  |
| Performing                | 46,709                  | 45,743           | 46,338           | 13,436                       | 13,091           | 13,436           |
| Non-accrual(2)            | -                       | -                | -                | -                            | -                | -                |
| Equity                    | N/A                     | 8,099            | 8,216            | N/A                          | 2,636            | 2,636            |
| <b>Total</b>              | <b>\$439,030</b>        | <b>\$439,661</b> | <b>\$438,855</b> | <b>\$352,589</b>             | <b>\$345,536</b> | <b>\$344,869</b> |

- (1) Twelve and six of our loans included a feature permitting a portion of the interest due on such loan to be PIK interest as of June 30, 2011 and September 30, 2010, respectively.
- (2) We refer to a loan as non-accrual when we cease recognizing interest income on the loan because we have stopped pursuing repayment of the loan or, in certain circumstances, it is past due 90 days or more on principal and interest or our management has reasonable doubt that principal or interest will not be collected. See "--Critical Accounting Policies--Revenue Recognition:"
- (3) Second lien loans included \$12.6 million and zero of loans structured as first lien last out term loans as of June 30, 2011 and September 30, 2010, respectively.

For the three and nine months ended June 30, 2011, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio were 8.6% and 8.6%, respectively. For the three and nine months ended June 30, 2010, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio were 7.8% and 8.2%, respectively. As of June 30, 2011, 75.2% and 75.3% of our portfolio, excluding the total return swap, at fair value and at cost, respectively, had interest rate floors that limit the minimum applicable interest rates on such loans. As of September 30, 2010, 59.2% and 60.0% of our portfolio at fair value and at cost, respectively, had interest rate floors that limited minimum interest rates on such loans.



GC Advisors regularly assesses the risk profile of each of our investments and rates each of them based on an internal system developed by Golub Capital and its affiliates. This system is not generally accepted in our industry or used by our competitors. It is based on the following categories, which we refer to as GC Advisors' investment performance rating:

Risk Ratings Definition

| Rating | Definition   |
|--------|--|
| 5      | Involves the least amount of risk in our portfolio. The borrower is performing above expectations, and the trends and risk factors are generally favorable.  |
| 4      | Involves an acceptable level of risk that is similar to the risk at the time of origination. The borrower is generally performing as expected, and the risk factors are neutral to favorable.  |
| 3      | Involves a borrower performing below expectations and indicates that the loan's risk has increased somewhat since origination. The borrower may be out of compliance with debt covenants; however, loan payments are generally not past due.   |
| 2      | Involves a borrower performing materially below and indicates that the loan's risk has increased materially since origination. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due (but generally not more than 180 days past due).   |
| 1      | Indicates that the borrower is performing substantially below expectations and the loan risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans graded 1 are not anticipated to be repaid in full and we will reduce the fair market value of the loan to the amount we anticipate will be recovered. |

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of June 30, 2011 and September 30, 2010.

| Investment<br>Performance<br>Rating | June 30, 2011   |  | September 30, 2010                                |  |
|-------------------------------------|---|--|---|--|
|                                     | Investments<br>at Fair<br>Value<br>(In<br>thousands)(1) | Percentage<br>of<br>Total<br>Investments | Investments<br>at Fair Value<br>(In<br>thousands) | Percentage<br>of<br>Total<br>Investments |
| 5                                   | \$ 55,367   | 12.6 %                                   | 98,307  | 28.5 %                                   |
| 4                                   | 336,490   | 76.8 %                                   | 199,876   | 58.0 %                                   |
| 3                                   | 42,607  | 9.7 %                                    | 41,948  | 12.2 %                                   |
| 2                                   | 4,129   | 0.9 %                                    | 4,738   | 1.3 %                                    |
| 1                                   | -   | 0.0 %                                    | -   | 0.0 %                                    |
| Total                               | \$ 438,593  | 100.0 %                                  | \$ 344,869  | 100.0 %                                  |

(1)The fair value of the TRS at June 30, 2011 was \$(0.3) million. The TRS is included in the above table with an investment performance rating of 4 as of June 30, 2011.

#### Contractual Obligations and Off-Balance Sheet Arrangements

A summary of our significant contractual payment obligations as of June 30, 2011 is as follows:

|                               | Payments Due by Period (In millions) |                     |           |           |                         |
|-------------------------------|--------------------------------------|---------------------|-----------|-----------|-------------------------|
|                               | Total                                | Less Than<br>1 Year | 1-3 Years | 3-5 Years | More<br>Than<br>5 Years |
| Debt Securitization           | \$174.0                              | \$-                 | \$-       | \$-       | \$174.0                 |
| SBA Debentures                | 48.3                                 | -                   | -         | -         | 48.3                    |
| Unfunded commitments(1)       | 43.0                                 | 43.0                | -         | -         | -                       |
| Total contractual obligations | \$265.3                              | \$43.0              | \$-       | \$-       | \$222.3                 |

(1)Unfunded commitments represented all amounts unfunded as of June 30, 2011. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but we are showing this amount in the less than one-year category, as this entire amount was eligible for funding to the borrowers as of June 30, 2011.

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of June 30, 2011 and September 30, 2010, we had outstanding commitments to fund investments totaling \$43.0 million and \$26.6 million, respectively.

We have certain contracts under which we have material future commitments. We have entered into the Investment Advisory Agreement with GC Advisors in accordance with the 1940 Act. The Investment Advisory Agreement

became effective upon the pricing of our initial public offering and was amended and restated on July 16, 2010 in order to offset fees payable in connection with the Debt Securitization against the base management fee. Under the Investment Advisory Agreement, GC Advisors provides us with investment advisory and management services. We pay for these services (1) a management fee equal to a percentage of the average adjusted value of our gross assets and (2) an incentive fee based on our performance. To the extent that GC Advisors or any of its affiliates provides investment advisory, collateral management or other similar services to a subsidiary of ours, we intend to reduce the base management fee by an amount equal to the product of (1) the total fees paid to GC Advisors by such subsidiary for such services and (2) the percentage of such subsidiary's total equity that is owned, directly or indirectly, by us.

We also entered into the Administration Agreement with GC Service as our administrator on April 14, 2010. Under the Administration Agreement, GC Service furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrative services necessary to conduct our day-to-day operations. We reimburse GC Service for the allocable portion (subject to the review and approval of our Board) of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. GC Service also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to offer to provide such assistance.

If any of the contractual obligations discussed above are terminated, our costs under any new agreements that we enter into may increase. In addition, we would likely incur significant time and expense in locating alternative parties to provide the services we receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment advisory agreement would also be subject to approval by our stockholders.

#### Distributions

In order to qualify as a RIC and to avoid corporate level tax on the income we distribute to our stockholders, we are required under the Code to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our net stockholders on an annual basis. Additionally, we must annually during each calendar year distribute an amount at least equal to 98% of our ordinary income (determined on a calendar year basis) plus 98.2% of net capital gains in excess of capital losses (for our one year period ending October 31) and any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax to avoid a U.S. federal excise tax. We intend to distribute quarterly distributions to our stockholders as determined by our Board.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a business development company under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our qualification as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. Stockholders should read any written disclosure accompanying a dividend payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then our stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically “opts out” of our dividend reinvestment plan. If a stockholder opts out, that stockholder will receive cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.



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## Related Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

- We entered into an Investment Advisory Agreement with GC Advisors. Mr. Lawrence Golub, our chairman, is a manager of GC Advisors, and Mr. David Golub, our chief executive officer, is a manager of GC Advisors, and each of Messrs. Lawrence Golub and David Golub owns an indirect pecuniary interest in GC Advisors.
  - GC Service provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement.
- We have entered into a license agreement with Golub Capital Management LLC, pursuant to which Golub Capital Management LLC has granted us a non-exclusive, royalty-free license to use the name “Golub Capital.”
- Certain existing investors in entities advised by affiliates of Golub Capital and certain of our officers and directors, their immediate family members or entities owned by, or family trusts for the benefit of, such persons purchased in a separate private placement an aggregate of 1,322,581 shares of common stock at the initial public offering price per share of \$14.50. We received the full proceeds from the sale of these shares, and no underwriting discounts or commissions were paid in respect of these shares.
- Under a staffing agreement, or Staffing Agreement, between Golub Capital Incorporated and Golub Capital Management LLC and GC Advisors, Golub Capital has agreed to provide GC Advisors with the resources necessary to fulfill its obligations under the Investment Advisory Agreement. The Staffing Agreement provides that Golub Capital will make available to GC Advisors experienced investment professionals and access to the senior investment personnel of Golub Capital for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. The Staffing Agreement also includes a commitment that the members of GC Advisors’ investment committee will serve in such capacity. Services under the Staffing Agreement are provided on a direct cost reimbursement basis.
- Golub Capital and its affiliates purchased an aggregate of \$2.0 million of shares in our common stock offering that closed on April 6, 2011. In addition, Mr. William M. Webster IV, one of our directors, purchased 25,000 shares in our common stock offering.

GC Advisors also sponsors or manages, and may in the future sponsor or manage, other investment funds, accounts or investment vehicles, together referred to as accounts, that have investment mandates that are similar, in whole and in part, with ours. GC Advisors and its affiliates may determine that an investment is appropriate for us and for one or more of those other accounts. In such event, depending on the availability of such investment and other appropriate factors, and pursuant to GC Advisors’ allocation policy, GC Advisors or its affiliates may determine that we should invest side-by-side with one or more other accounts. We do not intend to make any investments if they are not permitted by applicable law and interpretive positions of the SEC and its staff, or if they are inconsistent with GC Advisors’ allocation procedures.

In addition, we have adopted a formal code of ethics that governs the conduct of our and GC Advisors’ officers, directors and employees. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the General Corporation Law of the State of Delaware.

## Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

## Valuation of Investments

We value investments for which market quotations are readily available at their market quotations. However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our Board under our valuation policy and process. We may seek pricing information with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. We also employ independent third party valuation firms for all of our investments for which there is not a readily available market value.

Valuation methods may include comparisons of the portfolio companies to peer companies that are public, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, discounted cash flow, the markets in which the portfolio company does business, and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will consider the pricing indicated by the external event to corroborate the private equity valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments and may differ materially from values that may ultimately be received or settled.

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Our Board is ultimately and solely responsible for determining, in good faith, the fair value of investments that are not publicly traded, whose market prices are not readily available on a quarterly basis or any other situation where portfolio investments require a fair value determination.

With respect to investments for which market quotations are not readily available, our Board undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of GC Advisors responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and GC Advisors.
  - The audit committee of our Board reviews these preliminary valuations.
- At least once annually, the valuation for each portfolio investment is reviewed by an independent valuation firm.
- The Board discusses valuations and determines the fair value of each investment in our portfolio in good faith.

The factors that are taken into account in fair value pricing investments include: available current market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business; comparisons of financial ratios of peer companies that are public; comparable merger and acquisition transactions; and the principal market and enterprise values.

Determination of fair values involves subjective judgments and estimates not verifiable by auditing procedures. Under current auditing standards, the notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our consolidated financial statements.

We follow Accounting Standards Codification 820— Fair Value Measurements and Disclosures for measuring the fair value of portfolio investments. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. Our fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical financial instruments at the measurement date.

Level 2: Inputs include quoted prices for similar financial instruments in active markets and inputs that are observable for the financial instruments, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs include significant unobservable inputs for the financial instruments and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.





In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and we consider factors specific to the financial instrument. The following section describes the valuation techniques used by us to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

With the exception of money market accounts held at large financial institutions (Level 1 investment), all of the financial instruments that were recorded at fair value as of June 30, 2011 were valued using Level 3 inputs of the fair value hierarchy. As of September 30, 2010, we also invested in commercial paper, which is a Level 2 investment. Level 1 assets are valued using quoted market prices. Level 2 assets are valued using market consensus prices that are corroborated by observable market data and quoted market prices for similar instruments. Financial instruments that are recorded at Level 3 of the valuation hierarchy are our debt and equity investments. Level 3 assets are valued at fair value as determined in good faith by the Board, based on input of management, the audit committee and independent valuation firms that have been engaged at the direction of the Board to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing twelve-month period under a valuation policy and a consistently applied valuation process. This valuation process is conducted at the end of each fiscal quarter, with approximately 25% (based on fair value) of our valuation of portfolio companies without readily available market quotations subject to review by an independent valuation firm.

When valuing Level 3 debt and equity investments, we may take into account the following factors, where relevant, in determining the fair value of the investments: the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, comparison to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made and other relevant factors. In addition, for certain debt and equity investments, we may base its valuation on indicative bid and ask prices provided by an independent third party pricing service. Bid prices reflect the highest price that we and others may be willing to pay. Ask prices represent the lowest price that we and others may be willing to accept for an investment. We generally use the midpoint of the bid/ask range as the best estimate of fair value of such investment.

#### Revenue Recognition:

Our revenue recognition policies are as follows:

**Investments and Related Investment Income:** Our Board determines the fair value of our portfolio of investments. Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. Premiums, discounts, and origination fees are amortized or accreted into interest income over the life of the respective debt investment. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that the PIK is not likely to be collectible. We account for investment transactions on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in our consolidated statement of operations.

**Non-accrual:** Loans may be left on accrual status during the period we are pursuing repayment of the loan. Management reviews all loans that become past due 90 days or more on principal and interest or when there is reasonable doubt that principal or interest will not be collected for possible placement on non-accrual status. We

generally reverse accrued interest when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. We restore non-accrual loans to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. The total fair value of our non-accrual loans were \$3.4 million and \$3.1 million as of June 30, 2011 and September 30, 2010, respectively.

Income taxes:

We have elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, we are required to meet certain source of income and asset diversification requirements and timely distribute to our stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. We have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year distributions, we accrue excise tax, if any, on estimated excess taxable income as taxable income is earned.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified within capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

Item 3: Quantitative and Qualitative Disclosures About Market Risk.

We are subject to financial market risks, including changes in interest rates. Many of the loans in our portfolio have floating interest rates, and we expect that our loans in the future will also have floating interest rates. These loans are usually based on a floating LIBOR and typically have interest rate re-set provisions that adjust applicable interest rates under such loans to current market rates on a quarterly basis. In addition, the Debt Securitization, the Credit Facility entered into on July 21, 2011, and the TRS have floating interest rate provisions based on LIBOR, which resets quarterly, and we expect that any credit facilities or total return swap agreements into which we enter in the future may have floating interest rate provisions.

Assuming that the balance sheet as of the periods covered by this analysis were to remain constant and that Management took no actions to alter our existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates may affect net income by more than 1% over a one-year horizon. Although our management believes that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowings that could affect net increase in net assets resulting from operations, or net income. Accordingly, we can offer no assurances that actual results would not differ materially from the statement above.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.

Item 4: Controls and Procedures.

As of the period covered by this report, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure

controls and procedures were effective in timely alerting management, including the Chief Executive Officer and Chief Financial Officer, of material information about us required to be included in our periodic SEC filings. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, are based upon certain assumptions about the likelihood of future events and can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. There has not been any change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## Part II – Other Information

### Item 1: Legal Proceedings.

Although we may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise, we are currently not a party to any pending material legal proceedings.

### Item 1A: Risk Factors.

In addition to other information set forth in this report, you should carefully consider the “Risk Factors” discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, which could materially affect our business, financial condition and/or operating results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

We have entered into the TRS and may enter into other derivative transactions which expose us to certain risks, including risks similar to those associated with the use of leverage.

GCMF has entered into the TRS with Citibank. A total return swap is a contract in which one party agrees to make periodic payments to another party based on the change in the market value of the assets underlying the total return swap, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate. A total return swap typically is used to obtain exposure to a security or market without owning or taking physical custody of such security or investing directly in such market. A total return swap may effectively add leverage to a company’s portfolio because, in addition to total net assets, the company is subject to investment exposure on the amount of securities subject to the total return swap.

A total return swap is also subject to the risk that a counterparty will default on its payment obligations under the arrangements or that one party will not be able to meet its obligations to the other. In the case of the TRS, we are required to post cash collateral amounts to secure its obligations to Citibank under the TRS. Citibank, however, is not required to collateralize any of its obligations to us under the TRS.

In the event that Citibank chooses to exercise its termination rights under the TRS, it is possible that we will owe more to Citibank or, alternatively, will be entitled to receive less from Citibank than it would have if we controlled the timing of such termination due to the existence of adverse market conditions at the time of such termination.

In addition, because a TRS is a form of synthetic leverage, such arrangements are subject to risks similar to those associated with the use of leverage.

We are subject to risks associated with the Credit Facility.

As a result of the Credit Facility, we are subject to a variety of risks, including those set forth below.

Our interests in Funding are subordinated.

We own 100% of the equity interests in Funding. We consolidate the financial statements of Funding in our consolidated financial statements and treat the indebtedness of Funding as our leverage. Our interests in Funding are subordinated in priority of payment to every other obligation of Funding and are subject to certain payment restrictions set forth in the Credit Facility. We receive cash distributions on our equity interests in Funding only if Funding has made all required cash interest payments to the lenders. We cannot assure you that distributions on the

assets held by Funding will be sufficient to make any distributions to us or that such distributions will meet our expectations.

Our equity interests in Funding rank behind all of the secured and unsecured creditors, known or unknown, of Funding, including the lenders. Consequently, to the extent that the value of Funding's portfolio of loan investments has been reduced as a result of conditions in the credit markets, defaulted loans, capital gains and losses on the underlying assets, prepayment or changes in interest rates, the return on our investment in Funding could be reduced. Accordingly, our investment in Funding may be subject to up to 100% loss.

We may not receive cash on our equity interests from Funding.

We receive cash from Funding only to the extent that we receive distributions on our equity interests in Funding. Funding may make payments on such interests only to the extent permitted by the payment priority provisions of the Credit Facility. The Credit Facility generally provides that payments on such interests may not be made on any payment date unless all amounts owing to the lenders and other secured parties are paid in full. In addition, if Funding does not meet the asset coverage tests or the interest coverage test set forth in the Credit Facility documents, cash would be diverted from us to first pay the Lender in amounts sufficient to cause such tests to be satisfied. In the event that we fail to receive cash from Funding, we could be unable to make distributions to our stockholders in amounts sufficient to maintain our status as a RIC, or at all. We also could be forced to sell investments in portfolio companies at less than their fair value in order to continue making such distributions.

The ability to sell investments held by Funding is limited.

The Credit Facility places significant restrictions on the servicer's ability to sell investments. As a result, there may be times or circumstances during which the servicer is unable to sell investments or take other actions that might be in our best interests.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3: Defaults Upon Senior Securities.

None.

Item 4: Removed and Reserved.

Item 5: Other Information.

None.



Item 6: Exhibits.

EXHIBIT INDEX

| Number | Description  |
|--------|--|
| 31.1   | Certifications by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2   | Certifications by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1   | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*                                  |

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\* - Filed herewith

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 thereunto duly authorized.

Golub Capital BDC, Inc.

Dated: August 8, 2011

By /s/ David B. Golub  
David B. Golub  
Chief Executive Officer  
(Principal Executive Officer)

Dated: August 8, 2011

By /s/ Ross A. Teune  
Ross A. Teune  
Chief Financial Officer  
(Principal Accounting and Financial Officer)