Golub Capital BDC, Inc.
Form 10-K
November 29, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2012

or

o **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 (Address of Principal Executive Offices)	60606 (Zip Code)

(312) 205-5050

(Registrant s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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. (Check one):

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No x

The aggregate market value of common stock held by non-affiliates of the registrant on March 31, 2012 based on the closing price on that date of $15.27 on the Nasdaq Global Select Market was approximately $264.5 million. For the purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates. There were 28,582,221 shares of the registrant s common stock outstanding as of November 29, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant s 2013 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the registrant s fiscal year ended September 30, 2012.

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PART I

In this annual report on Form 10-K, except as otherwise indicated, the terms:

we, us, our and Golub Capital BDC refer to Golub Capital BDC, Inc., a Delaware corporation, and its consolidated subsidiaries, including the Securitization Issuer and Holdings, and, for the periods prior to consummation of the BDC Conversion (as defined below), Golub Capital BDC LLC, a Delaware limited liability company, and its consolidated subsidiaries;
Holdings refers to Golub Capital BDC 2010-1 Holdings LLC, our direct subsidiary, and Securitization Issuer refers to Golub Capital BDC 2010-1 LLC, our indirect subsidiary;
Controlling Class refers to the most senior class of notes of the Securitization Issuer then outstanding;
Debt Securitization refers to the $300 million term debt securitization that we completed on July 16, 2010;
GC Advisors refers to GC Advisors LLC, our investment adviser;
GC Service refers to GC Service Company, LLC, an affiliate of GC Advisors and our administrator; and
Golub Capital refers, collectively, to the activities and operations of Golub Capital Incorporated and Golub Capital LLC (formerly Golub Capital Management LLC), which entities employ all of Golub Capital s investment professionals, as well as GC Advisors, GC Service, associated investment funds and their respective affiliates.
On April 13, 2010, we converted from a limited liability company into a corporation. In this conversion, Golub Capital BDC, Inc. succeeded to the business of Golub Capital BDC LLC and its consolidated subsidiary, and the members of Golub Capital BDC LLC became stockholders of Golub Capital BDC, Inc. In this annual report on Form 10-K, we refer to such transactions as the BDC Conversion. Prior to the BDC Conversion, Golub Capital BDC LLC held all of the outstanding limited liability company interests in our predecessor, Golub Capital Master Funding LLC, or GCMF.

Item 1. Business

GENERAL

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, to make investments in senior secured, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), second lien and 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) loans and warrants and equity securities of middle-market companies that are, in most cases, sponsored by private equity firms. In this annual report on Form 10-K, the term middle-market generally refers to companies having earnings before interest, taxes, depreciation and amortization, or EBITDA, of between $5 million and $50 million annually.

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 $7.0 billion of capital under management, (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.

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We seek to create a diverse portfolio that includes senior secured, one stop, second lien and mezzanine loans and warrants and minority equity securities by primarily investing approximately $5 million to $25 million of capital, on average, in the securities of U.S. 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.

In the current environment, we continue to focus on senior secured loans and one stop investments, given the greater principal protection from the first lien nature of these loans.

As of September 30, 2012, our portfolio at fair value was comprised of 40.7% senior secured loans, 39.5% one stop loans, 6.6% second lien loans, 10.0% mezzanine loans and 3.2% equity. As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% one stop loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity.

As of September 30, 2012, 2011 and 2010, we had debt and equity investments in 121, 103 and 94 portfolio companies, respectively. For the years ended September 30, 2012, 2011 and 2010, our income producing assets, which represented nearly 100% of our total portfolio, had a weighted average interest income (which excludes income resulting from amortization of fees and discounts) yield of 9.3%, 8.6% and 8.4% and a weighted average investment income (which includes interest income and amortization of fees and discounts) yield of 10.2%, 9.9% and 10.9%, respectively.

Information Available

Our address is 150 South Wacker Drive, Suite 800, Chicago, IL 60606. Our phone number is (312) 205-5050, and our internet address is *www.golubcapitalbdc.com*. We make available, free of charge, on our website our proxy statement, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission, or SEC. Information contained on our website is not incorporated by reference into this annual report on Form 10-K and you should not consider information contained on our website to be part of this annual report on Form 10-K or any other report we file with the SEC.

The SEC also maintains a website that contains reports, proxy and information statements and other information we file with the SEC at *www.sec.gov*. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Our Investment Adviser

Our investment activities are managed by our investment adviser, GC Advisors. GC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. GC Advisors was organized in September 2008 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. Under our amended and restated investment advisory agreement, or the Investment Advisory Agreement, with GC Advisors, we pay GC Advisors a base management fee and an incentive fee for its services. See Business Management Agreements Management Fee for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to GC Advisors. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average-adjusted gross assets (including leverage, unrealized depreciation or appreciation on derivative instruments, and cash collateral on deposit with custodian but adjusted to exclude cash and cash equivalents so that investors do not pay the base management fee on such assets) and, therefore, GC Advisors benefits when we incur debt or use leverage. Additionally, under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because it determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other

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conflicts of interest associated with its management services and compensation. While not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See Business Management Agreements Board Approval of the Investment Advisory Agreement.

GC Advisors is an affiliate of Golub Capital and has entered into a staffing agreement, or the Staffing Agreement, with two Golub Capital affiliates, Golub Capital Incorporated and Golub Capital LLC. Under the Staffing Agreement, these companies make experienced investment professionals available to GC Advisors and provide access to the senior investment personnel of Golub Capital and its affiliates. The Staffing Agreement provides GC Advisors with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by Golub Capital and its affiliates in the ordinary course of their businesses and commits the members of GC Advisors investment committee to serve in that capacity. As our investment adviser, GC Advisors is obligated to allocate investment opportunities among us and its other clients fairly and equitably over time in accordance with its allocation policy. See Management s Discussion and Analysis of Financial Condition and Results of Operations Related Party Transactions. However, there can be no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. GC Advisors seeks to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of Golub Capital s investment professionals.

An affiliate of GC Advisors, GC Service, provides the administrative services necessary for us to operate. See Business Management Agreements Administration Agreement for a discussion of the fees and expenses we are required to reimburse to GC Service.

About Golub Capital

Golub Capital, founded in 1994, is a leading lender to middle-market companies, with a long track record of investing in one stop and junior capital financings, which is our long-term investment focus. Golub Capital invested more than $3.6 billion in one stop and mezzanine transactions across a variety of market environments and industries between 2001 and September 30, 2012. Since its inception, Golub Capital has closed deals with over 150 middle-market sponsors and repeat transactions with over 90 sponsors.

Golub Capital s middle-market lending group is managed by a four-member senior management team consisting of Lawrence E. Golub, David B. Golub, Andrew H. Steuerman and Gregory W. Cashman. As of September 30, 2012, Golub Capital s 55 investment professionals had an average of over 11 years of investment experience and were supported by 93 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

Investment Criteria/Guidelines

Our investment objective is to generate current income and capital appreciation by investing primarily in senior secured, one stop, second lien, mezzanine loans of, and warrants and minority equity securities in, U.S. middle-market companies. We seek to generate strong risk-adjusted net returns by assembling a diversified portfolio of investments across a broad range of industries and private equity investors.

We primarily target U.S. middle-market companies controlled by private equity investors that require capital for growth, acquisitions, recapitalizations, refinancings and leveraged buyouts. We may also make opportunistic loans to independently owned and publicly held middle-market companies. We seek to partner with strong management teams executing long-term growth strategies. Target businesses will typically exhibit some or all of the following characteristics:

- annual EBITDA of $5 million to $50 million;
- sustainable leading positions in their respective markets;
- scalable revenues and operating cash flow;
- experienced management teams with successful track records;

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- stable, predictable cash flows with low technology and market risks;
- a substantial equity cushion in the form of capital ranking junior to our investment;
- low capital expenditures requirements;
- a North American base of operations;
- strong customer relationships;
- products, services or distribution channels having distinctive competitive advantages;
- defensible niche strategy or other barriers to entry; and
- demonstrated growth strategies.

While we believe that the criteria listed above are important in identifying and investing in prospective portfolio companies, not all of these criteria will be met by each prospective portfolio company.

Investment Process Overview

We view our investment process as consisting of four distinct phases described below:

Origination. GC Advisors sources investment opportunities through access to a network of over 10,000 individual contacts developed in the financial services and related industries by Golub Capital and managed through a proprietary customer relationship database. Among these contacts is an extensive network of private equity firms and relationships with leading middle-market senior lenders. The senior deal professionals of Golub Capital supplement these leads through personal visits and marketing campaigns. It is their responsibility to identify specific opportunities, to refine opportunities through candid exploration of the underlying facts and circumstances and to apply creative and flexible thinking to solve clients financing needs. Golub Capital s origination personnel are located in offices in New York and Chicago. Each originator maintains long-standing customer relationships and is responsible for covering a specified target market. We believe those originators strength and breadth of relationships across a wide range of markets generate numerous financing opportunities, which we believe enables GC Advisors to be highly selective in recommending investments to us.

Underwriting. We utilize the systematic, consistent approach to underwriting developed by Golub Capital, with a particular focus on determining the value of a business in a downside scenario. The key criteria that we consider include (1) strong and resilient underlying business fundamentals, (2) a substantial equity cushion in the form of capital ranking junior in right of payment to our investment and (3) a conclusion that overall downside risk is manageable. While the size of this equity cushion will vary over time and across industries, the equity cushion generally sought by GC Advisors today is between 35% and 50% of total portfolio capitalization. We generally focus on the criteria developed by Golub Capital for evaluating prospective portfolio companies. In evaluating a particular company, we put more emphasis on credit considerations (such as (1) loan-to-value ratio (which is the amount of our loan divided by the enterprise value of the company in which we are investing), (2) the ability of the company to maintain a liquidity cushion through economic cycles and in downside scenarios, (3) the ability of the company to service its fixed charge obligations under a variety of scenarios and (4) its anticipated strategic value in a downturn) than on profit potential and loan pricing. Our due diligence process for middle-market credits will typically entail:

- a thorough review of historical and pro forma financial information,
- on-site visits,
- interviews with management and employees
- a review of loan documents and material contracts,
- third-party quality of earnings accounting due diligence,
- when appropriate, background checks on key managers and research relating to the company s business, industry, markets, customers, suppliers, products and services and competitors, and

the commission of third-party market studies when appropriate.

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The following chart illustrates the stages of Golub Capital s evaluation and underwriting process:

ILLUSTRATIVE DEAL EVALUATION PROCESS

FUND INVESTMENTS

Execution. In executing transactions for us, GC Advisors utilizes the due diligence process developed by Golub Capital. Through a consistent approach to underwriting and careful attention to the details of execution, it seeks to close deals as fast or faster than competitive financing providers while maintaining discipline with respect to credit, pricing and structure to ensure the ultimate success of the financing. Upon completion of due diligence, the investment team working on an investment delivers a memorandum to GC Advisors investment committee. Once an investment has been approved by the investment committee on a consensus basis, it moves through a series of steps generally, including initial documentation using standard document templates, final documentation, including resolution of business points and the execution of original documents held in escrow. Upon completion of final documentation, a loan is funded upon the execution of an investment committee memorandum by members of GC Advisors investment committee.

Monitoring. We view active portfolio monitoring as a vital part of our investment process. We consider board observation rights, where appropriate, regular dialogue with company management and sponsors and detailed, internally generated monitoring reports to be critical to our performance. Golub Capital has developed a monitoring template that is designed to reasonably ensure compliance with these standards. This template is used by GC Advisors as a tool to assess investment performance relative to our investment plan. In addition, our portfolio companies may rely on us to provide them with financial and capital markets expertise.

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As part of the monitoring process, 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. 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 expectations 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	Involves a borrower performing substantially below expectations and indicates that the loan s risk has substantially increased since origination. Most or all of the debt covenants are out of compliance and payments are substantially delinquent. Loans rated 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.

For any investment rated 1, 2 or 3, GC Advisors will increase its monitoring intensity and prepare regular updates for the investment committee, summarizing current operating results and material impending events and suggesting recommended actions.

GC Advisors monitors and, when appropriate, changes the investment performance ratings assigned to each investment in our portfolio. In connection with our valuation process, GC Advisors reviews these investment performance ratings on a quarterly basis, and our board of directors reviews and affirms such ratings.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of September 30, 2012 and 2011:

	September 30, 2012		September 30, 2011	
Investment Performance Rating	Investments at Fair Value (In thousands)	Percentage of Total Investments	Investments at Fair Value (In thousands)(1)	Percentage of Total Investments
5	$ 145,414	21.6 %	$ 49,691	10.8 %
4	468,182	69.6	360,259	78.7
3	55,149	8.2	45,141	9.9
2	340	0.1	2,891	0.6
1	3,825	0.5		
Total	$ 672,910	100.0 %	$ 457,982	100.0 %

(1) The fair value of the total return swap, or TRS, at September 30, 2011 was $(1,845). We did not have an investment in a TRS as of September 30, 2012. The TRS is included in the above table with an investment performance rating of 4 as of September 30, 2011.

Investment Committee

The purpose of GC Advisors investment committee, which is comprised of officers of GC Advisors, is to evaluate and approve all of our investments, subject to the oversight of our board of directors. The investment committee process is intended to bring the diverse experience and perspectives of the committee s members to

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the analysis and consideration of each investment. The investment committee currently consists of Lawrence E. Golub, David B. Golub, Andrew H. Steuerman and Gregory W. Cashman. The investment committee serves to provide investment consistency and adherence to our core investment philosophy and policies. The investment committee also determines appropriate investment sizing and suggests ongoing monitoring requirements.

In addition to reviewing investments, investment committee meetings serve as a forum to discuss credit views and outlooks. Potential transactions and deal flow are reviewed on a regular basis. Members of the investment team are encouraged to share information and credit views with the investment committee early in their analysis. We believe this process improves the quality of the analysis and assists the deal team members to work more efficiently.

Each transaction is presented to the investment committee in a formal written report. All of our new investments must be approved by a consensus of the investment committee. Each member of the investment committee performs a similar role for other investment funds, accounts or other investment vehicles, collectively referred to as accounts, sponsored or managed by Golub Capital and its affiliates.

Investment Structure

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company s capital structure.

We structure our investments, which typically have maturities of three to seven years, as follows:

Senior Secured Loans. We structure these investments as senior secured loans. We obtain security interests in the assets of the portfolio company that serve as collateral in support of the repayment of such loans. This collateral may take the form of first-priority liens on the assets of the portfolio company borrower. Our senior secured loans may provide for moderate loan amortization in the early years of the loan, with the majority of the amortization deferred until loan maturity.

One Stop Loans. We structure our one stop loans as senior secured loans. We obtain security interests in the assets of the portfolio company that serve as collateral in support of the repayment of these loans. This collateral may take the form of first-priority liens on the assets of the portfolio company. One stop loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity. One stop loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. In many cases, we are the sole lender, or we together with our affiliates are the sole lenders, of one stop loans, which can afford us additional influence over the borrower in terms of monitoring and, if necessary, remediation in the event of underperformance.

Second Lien Loans. We structure these investments as junior, secured loans. We obtain security interests in the assets of the portfolio company that serve as collateral in support of the repayment of such loans. This collateral may take the form of second priority liens on the assets of a portfolio company. Second lien loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity.

Mezzanine Loans. We structure these investments as unsecured, subordinated loans that provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically have interest-only payments (often representing a combination of cash pay and payment-in-kind, or PIK, interest) in the early years, with amortization of principal deferred until loan maturity. Mezzanine loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity.

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Mezzanine investments are generally more volatile than secured loans and may involve a greater risk of loss of principal. In addition, the PIK feature of many mezzanine loans, which effectively operates as negative amortization of loan principal, thereby increases credit risk exposure over the life of the loan.

Warrants and Minority Equity Securities. In some cases, we may also receive nominally priced warrants or options to buy a minority equity interest in the portfolio company in connection with a loan. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure such warrants to include provisions protecting our rights as a minority-interest holder, as well as a put, or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights.

We tailor the terms of each investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its operating results. We seek to limit the downside potential of our investments by:

- selecting investments that we believe have a very low probability of loss;
- requiring a total return on our investments (including both interest and potential equity appreciation) that we believe will compensate us appropriately for credit risk; and
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with the preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or rights to a seat on the board of directors under some circumstances.

We expect to hold most of our investments to maturity or repayment, but we may sell some of our investments earlier if a liquidity event occurs, such as a sale, recapitalization or worsening of the credit quality of the portfolio company.

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Investments

We seek to create a diverse portfolio that includes senior secured, one stop, second lien and mezzanine loans and warrants and minority equity securities by investing approximately $5 million to $25 million of capital, on average, in the securities of middle-market companies. Set forth below is a list of our ten largest portfolio company investments as of September 30, 2012, as well as the top ten industries in which we were invested as of September 30, 2012, in each case calculated as a percentage of our total investments as of such date.

Portfolio Company	Fair Value of Investments (In thousands)	Percentage of Total Investments
National Healing Corporation	$ 22,672	3.4 %
Employment Law Training, Inc.	18,976	2.8
Competitor Group, Inc.	18,364	2.7
Massage Envy, LLC	17,600	2.6
IntegraMed America, Inc.	14,809	2.2
Benihana, Inc.	14,200	2.1
Vision Source L.P.	14,137	2.1
Blue Coat Systems, Inc.	13,729	2.0
Ecommerce Industries, Inc.	13,530	2.0
Oasis Outsourcing Holdings, Inc.	13,355	2.0
	$ 161,372	23.9 %

Industry	Fair Value of Investments (In thousands)	Percentage of Total Investments
Healthcare, Education and Childcare	$ 126,518	18.8 %
Retail Stores	84,637	12.6
Diversified Conglomerate Service	76,002	11.3
Electronics	64,398	9.6
Beverage, Food and Tobacco	50,686	7.5
Personal, Food and Miscellaneous Services	44,746	6.6
Diversified Conglomerate Manufacturing	41,583	6.2
Leisure, Amusement, Motion Pictures, Entertainment	38,925	5.8
Automobile	23,567	3.5
Personal and Non Durable Consumer Products	20,383	3.0
	$ 571,445	84.9 %

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. GC Service or an affiliate of GC Service provides such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and reimburse GC Service or an affiliate of GC Service, as applicable, for its allocated costs in providing such assistance, subject to the review and approval by our board of directors, including our independent directors.

Competition

Our primary competitors in providing financing to middle-market companies include public and private funds, other business development companies, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk

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assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or to the source-of-income, asset diversification and distribution requirements we must satisfy to maintain our qualification as a RIC.

We use the expertise of the investment professionals of Golub Capital and its affiliates to which we have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, the relationships of the senior members of Golub Capital and its affiliates enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we invest. For additional information concerning the competitive risks we face, see Risk Factors Risks Relating to our Business and Structure We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

Administration

We do not have any direct employees, and our day-to-day investment operations are managed by GC Advisors. We have a chief executive officer, chief financial officer and chief compliance officer and, to the extent necessary, our board of directors may elect to hire additional personnel going forward. Our officers are employees of GC Service, an affiliate of GC Advisors, and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs are paid by us pursuant to the administration agreement, or the Administration Agreement, we entered into with GC Service. Some of our executive officers are also officers of GC Advisors. See Business Management Agreements Administration Agreement.

MANAGEMENT AGREEMENTS

GC Advisors is located at 150 South Wacker Drive, Suite 800, Chicago, IL 60606. GC Advisors is registered as an investment adviser under the Advisers Act. All of the beneficial interests in GC Advisors are owned, indirectly, by two affiliated trusts. The trustee of those trusts is Stephen A. Kepniss, an individual who is not otherwise affiliated with GC Advisors or Golub Capital. Subject to the overall supervision of our board of directors and in accordance with the 1940 Act, GC Advisors manages our day-to-day operations and provides investment advisory services to us. Under the terms of the Investment Advisory Agreement, GC Advisors:

- determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- identifies, evaluates and negotiates the structure of the investments we make;
- executes, closes, services and monitors the investments we make;
- determines the securities and other assets that we purchase, retain or sell;
- performs due diligence on prospective portfolio companies; and
- provides us with such other investment advisory, research and related services as we may, from time to time, reasonably require for the investment of our funds.

Certain personnel of Golub Capital conduct activities on our behalf directly through, and under the supervision of, GC Advisors. GC Advisors services under the Investment Advisory Agreement are not exclusive. Pursuant to the Staffing Agreement, Golub Capital provides GC Advisors with the resources to fulfill its obligations under the Investment Advisory Agreement, including staffing by experienced investment professionals and access to the senior investment personnel of Golub Capital, including a commitment by each member of GC Advisors investment committee to serve in such capacity. These personnel services are provided under the Staffing Agreement on a direct cost reimbursement basis to GC Advisors. Subject to the requirements of the 1940 Act, GC Advisors may enter into one or more sub-advisory agreements under which GC Advisors may obtain assistance in fulfilling its responsibilities under the Investment Advisory Agreement.

Management Fee

Pursuant to the Investment Advisory Agreement, we pay GC Advisors a fee for investment advisory and management services consisting of two components a base management fee and an incentive fee. The cost of both the base management fee and the incentive fee is ultimately borne by our stockholders.

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The base management fee is calculated at an annual rate equal to 1.375% of our average adjusted gross assets at the end of the two most recently completed calendar quarters (excluding cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian). For services rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during a current calendar quarter. Base management fees for any partial month or quarter are appropriately pro-rated. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper instruments maturing within 270 days of purchase (which is different than the U.S. Generally Accepted Accounting Principles, or GAAP, definition, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). 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, the base management fee shall be reduced 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, including membership interests and any class of notes not exclusively held by one or more third parties, that is owned, directly or indirectly, by us.

We pay GC Advisors an incentive fee. We have 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 GC Advisors if, after such payment, the cumulative incentive fees paid to GC Advisors since April 13, 2010, the effective date of our election to become a business development company, would be less than or equal to 20.0% of our Cumulative Pre-Incentive Fee Net Income (as defined below).

We accomplish this limitation by subjecting each quarterly incentive fee payable under the Income and Capital Gains Incentive Fee Calculation (as defined below) to a cap, or the Incentive Fee Cap. The Incentive Fee Cap in any quarter is equal to the difference between (a) 20.0% of Cumulative Pre-Incentive Fee Net Income and (b) cumulative incentive fees of any kind paid to GC Advisors by us since April 13, 2010. 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 (as defined below) for each period since April 13, 2010 and (b) cumulative aggregate realized capital gains, cumulative aggregate realized capital losses, cumulative aggregate unrealized capital depreciation and cumulative aggregate unrealized capital appreciation since April 13, 2010.

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 we receive 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, 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 we have not yet received in cash. GC Advisors does not return to us amounts paid to it on accrued income that we have not yet received in cash if such income is not ultimately received by us in cash. If we do not ultimately receive income, a loss would be recognized, reducing future fees.

Incentive fees are calculated as described below and payable quarterly in arrears (or, upon termination of the Investment Advisory Agreement, as of the termination date).

Income and Capital Gains Incentive Fee Calculation

The income and capital gains incentive fee calculation, or 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 our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter.

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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 we have incurred a loss. For example, if we receive 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 us to pay incentive fees on a cumulative basis that exceed 20.0% of our Cumulative Pre-Incentive Fee Net Income.

Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our 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, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our Pre-Incentive Fee Net Investment Income and make it easier for GC Advisors 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 (excluding cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian) used to calculate the 1.375% base management fee, which fee is payable on all of our assets managed by GC Advisors.

We calculate the income component of the Income and Capital Gains 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;
100.0% of our 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. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than 2.5%) as the catch-up provision. The catch-up is meant to provide GC Advisors 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 our 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.

The following is a graphical representation of the Income Incentive Fee calculation:

Quarterly Income Component of Income and Capital Gains Incentive Fee Calculation Based on Net Income

Pre-Incentive Fee Net Investment Income
(Expressed as a Percentage of the Value of Net Assets)

Percentage of Pre-Incentive Fee Net Investment Income Allocated to Income Component of Income and Capital Gains Incentive Fee Calculation

The second part of the Incentive Fee Calculation, or the Capital Gain Incentive Fee, equals (a) 20.0% of our Capital Gain Incentive Fee Base (as defined below), 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), commencing with the calendar year ending December 31, 2010, less (b) the aggregate amount of any previously paid Capital Gain Incentive Fees. Our Capital Gain Incentive Fee Base equals the sum of (1) our realized capital

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gains (including realized capital gains on derivative instruments), if any, on a cumulative positive basis from April 13, 2010 through the end of each calendar year, (2) all realized capital losses (including realized capital losses on derivative instruments) on a cumulative basis and (3) all unrealized capital depreciation (including unrealized capital depreciation on derivative instruments) 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 our 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 our 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 our 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 .

We will accrue 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 April 13, 2010 through the end of each calendar year. For the calendar years ended December 31, 2011 and 2010, the Capital Gain Incentive Fee was zero. For the fiscal year ended September 30, 2012, 2011 and 2010, the Capital Gain Incentive Fee was zero.

Cap on Fees

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 our Cumulative Pre-Incentive Fee Net Income since April 13, 2010. In this Form 10-K, we refer to such amount, less any Incentive Fees previously paid, as the Incentive Fee Cap. If, for any relevant period, the Incentive Fee Cap calculation results in our 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 us, and will not be received by GC Advisors as an Incentive Fee either at the end of such relevant period or at the end of any future period. For the avoidance of doubt, our stockholders benefit from a reduction in the amount of Incentive Fees that we pay, and that they pay indirectly, equal to the sum of the differences, if any, between the Incentive Fee and the Incentive Fee Cap.

Examples of Quarterly Incentive Fee Calculation

Example 1 Income Related Portion of Incentive Fee[1]:

Assumptions

Hurdle rate[2] = 2.00%

Management fee[3] = 0.344%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[4] = 0.35%

(1)

The hypothetical amount of Pre-Incentive Fee Net Investment Income shown is based on a percentage of total net assets. In addition, the example assumes that during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) is at least 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

(2) Represents a quarter of the 8.0% annualized hurdle rate.

(3) Represents a quarter of the 1.375% annualized management fee.

(4) Excludes offering expenses.

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Alternative 1

Additional Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%

Pre-Incentive Fee Net Investment Income (investment income (management fee + other expenses)) = 0.556%

Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate, therefore there is no Incentive Fee.

Alternative 2

Additional Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.80%

Pre-Incentive Fee Net Investment Income (investment income (management fee + other expenses)) = 2.106%

Pre-Incentive Fee Net Investment Income exceeds hurdle rate, therefore there is an Incentive Fee.

Incentive Fee = 100% × catch-up + the greater of 0% AND
(20% × (Pre-Incentive Fee Net Investment Income 2.50%))
= (100% × (2.106% 2.00%)) + 0%
= 100% × 0.106%
= 0.106%

Alternative 3

Additional Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.50%

Pre-Incentive Fee Net Investment Income (investment income (management fee + other expenses)) = 2.806%

Pre-Incentive Fee Net Investment Income exceeds hurdle rate, therefore there is an Incentive Fee.

Incentive Fee = 100% × catch-up + the greater of 0% AND
(20% × (Pre-Incentive Fee Net Investment Income 2.50%))
= (100% × (2.50% 2.00%)) + (20% × (2.806% 2.50%))
= 0.50%+ (20% × 0.306%)
= 0.50%+ 0.061%
= 0.561%

Example 2 Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

Year 1:	$20 million investment made in Company A (Investment A) and $30 million investment made in Company B (Investment B)
Year 2:	Investment A is sold for $15 million and fair market value (FMV) of Investment B determined to be $29 million
Year 3:	FMV of Investment B determined to be $27 million
Year 4:	Investment B sold for $25 million

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The capital gains portion of the Incentive Fee, if any, would be:

Year 1:	None (No sales transactions)
Year 2:	None (Sales transaction resulted in a realized capital loss on Investment A)
Year 3:	None (No sales transactions)
Year 4:	None (Sales transaction resulted in a realized capital loss on Investment B)

Each quarterly incentive fee payable on the Income and Capital Gains Incentive Fee Calculation is subject to the Incentive Fee Cap. Below are the necessary adjustments to the Incentive Fee payable to adhere to the Incentive Fee Cap.

Year 1:	No adjustment; no realized capital losses or unrealized capital depreciation
Year 2:	Investment A sold at a $5 million loss. Investment B has unrealized capital depreciation of $1 million. Therefore, GC Advisors would not be paid on the $6 million realized/unrealized loss which would result in a lower Incentive Fee by $1.2 million.
Year 3:	Investment B has unrealized capital depreciation of $2 million. Therefore, GC Advisors would not be paid on the $2 million unrealized capital depreciation which would result in a lower Incentive Fee by $400,000.
Year 4:	Investment B sold at a $5 million loss. Investment B was previously marked down by $3 million; therefore, we would realize a $5 million loss on Investment B and reverse the previous $3 million in unrealized capital depreciation. The net effect would be a loss of $2 million. GC Advisors would not be paid on the $2 million loss which would result in a lower Incentive Fee by $400,000.

Alternative 2

Assumptions

Year 1:	$20 million investment made in Company A (Investment A), $30 million investment made in Company B (Investment B) and $25 million investment made in Company C (Investment C)
Year 2:	FMV of Investment A determined to be $18 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million
Year 3:	Investment A sold for $18 million. FMV of Investment B determined to be $24 million and FMV of Investment C determined to be $25 million.
Year 4:	FMV of Investment B determined to be $22 million. Investment C sold for $24 million.
Year 5:	Investment B sold for $20 million

Each quarterly Incentive Fee payable on the Income and Capital Gains Incentive Fee Calculation is subject to the Incentive Fee Cap. Below are the necessary adjustments to the Incentive Fee payable to adhere to the Incentive Fee Cap.

Year 1:	No adjustment; no realized capital losses or unrealized capital depreciation.
Year 2:	

	Investment A has unrealized capital depreciation of $2 million. Investment B has unrealized capital depreciation of $5 million. Therefore, GC Advisors would not be paid on the $7 million unrealized capital depreciation which would result in a lower Incentive Fee by $1.4 million.
Year 3:	Investment B has additional unrealized capital depreciation of $1 million. Therefore, GC Advisors would not be paid on the $1 million unrealized capital depreciation which would result in a lower Incentive Fee by $200,000.

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Year 4:	Investment B has additional unrealized capital depreciation of $2 million. Investment C sold at a $1 million realized loss. Therefore, we would not be paid on the $3 million realized/unrealized loss which would result in a lower Incentive Fee by $600,000.
Year 5:	Investment B sold at a $10 million loss. Investment B was previously marked down by $8 million; therefore, we would realize a $10 million loss on Investment B and reverse the previous $8 million in unrealized capital depreciation. The net effect would be a loss of $2 million. GC Advisors would not be paid on the $2 million loss which would result in a lower Incentive Fee by $400,000.

The capital gains portion of the Incentive Fee, if any, would be:

Year 1:	None (No sales transactions)
Year 2:	None (No sales transactions)
Year 3:	None (Sales transaction resulted in a realized capital loss on Investment A)
Year 4:	None (Sales transaction resulted in a realized capital loss on Investment C)
Year 5:	None (Sales transaction resulted in a realized capital loss on Investment B)

Alternative 3

Assumptions

Year 1:	$25 million investment made in Company A (Investment A) and $20 million investment made in Company B (Investment B)
Year 2:	Investment A is sold for $30 million and FMV of Investment B determined to be $22 million
Year 3:	FMV of Investment B determined to be $23 million
Year 4:	Investment B sold for $23 million

The capital gains portion of the Incentive Fee, if any, would be:

Year 1:	None (No sales transactions)
Year 2:	$1 million (20% multiplied by $5 million realized capital gains on sale of Investment A)
Year 3:	None (No sales transactions)
Year 4:	$600,000 (20% multiplied by $8 million realized capital gains on sale of Investment A and Investment B) less $1 million (capital gains fee paid in year 2).

Each quarterly Incentive Fee payable on the Income and Capital Gains Incentive Fee Calculation is subject to the Incentive Fee Cap. Below are the necessary adjustments to the Incentive Fee payable to adhere to the Incentive Fee Cap.

Year 1:	No adjustment necessary
Year 2:	No adjustment necessary. GC Advisors would not be paid on the $2 million unrealized gain on Investment B.
Year 3:	

No adjustment necessary. GC Advisors would not be paid on the $1 million unrealized gain on Investment B.

Year 4: No adjustment necessary

Payment of Our Expenses

All investment professionals of GC Advisors and/or its affiliates, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of

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personnel allocable to these services to us, are provided and paid for by GC Advisors and not by us. We bear all other out-of-pocket costs and expenses of our operations and transactions. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Expenses.

Duration and Termination

Unless terminated earlier as described below, the Investment Advisory Agreement, as amended, will continue in effect from year to year if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of our directors who are not interested persons, as that term is defined in the 1940 Act, of us. The Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by GC Advisors and may be terminated by either party without penalty upon not less than 60 days written notice to the other. The holders of a majority of our outstanding voting securities, by vote, may also terminate the Investment Advisory Agreement without penalty. See Risk Factors Risks Relating to our Business and Structure We are dependent upon key personnel of GC Advisors for our future success and upon their access to the investment professionals and partners of Golub Capital and its affiliates.

Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, GC Advisors and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from the rendering of GC Advisors services under the Investment Advisory Agreement or otherwise as our investment adviser.

Board Approval of the Investment Advisory Agreement

At a meeting of our board of directors held on February 2, 2012, our board of directors unanimously voted to approve the Investment Advisory Agreement. In reaching a decision to approve the Investment Advisory Agreement, the board of directors reviewed a significant amount of information and considered, among other things:

- the nature, extent and quality of the advisory and other services provided to us by GC Advisors;
- the investment performance of us and GC Advisors;
- the fee structures of comparable externally managed business development companies that engage in similar investing activities; and
- various other matters.

Based on the information reviewed and the considerations detailed above, the board of directors, including all of the directors who are not interested persons, as that term is defined in the 1940 Act, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Investment Advisory Agreement, as well as the Administration Agreement, as being in the best interests of our stockholders.

Our board of directors approved an amendment to the Investment Advisory Agreement by unanimous written consent on June 17, 2010. On July 16, 2010, we amended and restated the Investment Advisory Agreement to effectuate the fee offsetting arrangement associated with the Debt Securitization, thereby assuring that the management fees paid by our stockholders (whether directly or indirectly) do not exceed those in the original investment advisory agreement.

These amendments provide that the base management fee payable by us under the Investment Advisory Agreement is reduced, 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, by an amount equal to the product of (1) the total fees that are paid to GC Advisors 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 us. The change was approved unanimously by our board of directors, including all of the independent directors. However, because the change was not material, but rather assured continuation of the economic arrangements agreed to and

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approved by the initial stockholders and the board of directors and was beneficial to our stockholders (such that no rational investor would vote against the change), submitting the change to a stockholder vote was determined to be an unnecessary and inappropriate cost for us to incur at the expense of our stockholders. We believe that prior to these amendments, the Investment Advisory Agreement authorized securitization transactions.

Administration Agreement

Pursuant to the Administration Agreement, GC Service furnishes us with office facilities and equipment and provides clerical, bookkeeping, recordkeeping and other administrative services at such facilities. Under the Administration Agreement, GC Service performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, GC Service assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, GC Service also provides managerial assistance on our behalf to those portfolio companies that have accepted our offer to provide such assistance. GC Service may retain third parties to assist in providing administrative services to us. To the extent that GC Service outsources any of its functions, we pay the fees associated with such functions on a direct basis without profit to GC Service. We reimburse GC Service for the allocable portion (subject to approval of our board of directors) of GC Service s 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. In addition, if requested to provide significant managerial assistance to our portfolio companies, GC Service is paid an additional amount based on the cost of the services provided, which shall not exceed the amount we receive from such portfolio companies for providing this assistance. On February 2, 2012, the Administration Agreement was renewed for a one-year term with the approval of our board of directors. The Administration Agreement may be terminated by either party without penalty upon 60 days written notice to the other party. To the extent that GC Service outsources any of its functions we pay the fees associated with such functions on a direct basis without profit to GC Service.

Indemnification

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, GC Service and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from the rendering of GC Service s services under the Administration Agreement or otherwise as our administrator.

License Agreement

We have entered into a license agreement with Golub Capital LLC under which Golub Capital LLC has granted us a non-exclusive, royalty-free license to use the name Golub Capital . Under this agreement, we will have a right to use the Golub Capital name for so long as GC Advisors or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the Golub Capital name. This license agreement will remain in effect for so long as the Investment Advisory Agreement with GC Advisors is in effect.

Staffing Agreement

We do not have any internal management capacity or employees. We depend on the diligence, skill and network of business contacts of the senior investment professionals of GC Advisors to achieve our investment objective. GC Advisors is an affiliate of Golub Capital and depends upon access to the investment professionals and other resources of Golub Capital and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. GC Advisors also depends upon Golub Capital to obtain access to deal flow generated by the professionals of Golub Capital and its affiliates. Under the Staffing Agreement, Golub Capital

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provides GC Advisors with the resources necessary to fulfill these obligations. 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 serve in such capacity. The Staffing Agreement remains in effect until terminated and may be terminated by either party without penalty upon 60 days written notice to the other party. Services under the Staffing Agreement are provided to GC Advisors on a direct cost reimbursement basis, and such fees are not our obligation.

REGULATION

General

We are a business development company under the 1940 Act and have elected to be treated as a RIC under the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a business development company be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company without the approval of a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an underwriter, as that term is defined in the Securities Act of 1933, as amended, or the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company in excess of the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and each may be changed without stockholder approval. To the extent we adopt any fundamental policies, no person from whom we borrow will have, in his or her capacity as lender or debtholder, either a veto power or a vote in approving or changing any of our fundamental policies.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company s total assets. The principal categories of qualifying assets relevant to our business are the following:

(1)

Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer that:

is organized under the laws of, and has its principal place of business in, the United States;

is not an investment company (other than a small business investment company, or SBIC, wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

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satisfies either of the following:

does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a $250 million market capitalization maximum; or

is controlled by a business development company or a group of companies including a business development company, the business development company actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result, the business development company has an affiliated person who is a director of the eligible portfolio company.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident to such a private transaction, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. government securities or high-quality debt securities that mature in one year or less from the date of investment.

The regulations defining and interpreting qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

We look through our subsidiaries to the underlying holdings (considered together with portfolio assets held outside of our subsidiaries) for purposes of determining compliance with the 70% qualifying assets requirement of the 1940 Act. On a consolidated basis, at least 70% of our assets will be eligible assets.

Managerial Assistance to Portfolio Companies

A business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance; except that, when the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. GC Service has agreed to provide such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt investments that mature in one year or less from the date of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets or temporary investments. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as the agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the

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purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests, as defined in section 851(b)(3) of the Code in order to qualify as a RIC for U.S. federal income tax purposes. Accordingly, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. GC Advisors will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as that term is defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. We consolidate our financial results with all of our wholly owned subsidiaries, including Holdings and the Securitization Issuer, for financial reporting purposes and measure our compliance with the leverage test applicable to business development companies under the 1940 Act on a consolidated basis. On September 13, 2011, we received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary from our 200% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage. For a discussion of the risks associated with leverage, see Risk Factors Risks Relating to our Business and Structure Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital exposes us to risks, including the typical risks associated with leverage.

Codes of Ethics

We and GC Advisors have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code s requirements. You may read and copy the code of ethics at the SEC s Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, each code of ethics is attached as an exhibit to this annual report on Form 10-K, and is available on the EDGAR Database on the SEC s website at *www.sec.gov*. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request to *publicinfo@sec.gov*, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to GC Advisors. The proxy voting policies and procedures of GC Advisors are set out below. The guidelines are reviewed periodically by GC Advisors and our directors who are not interested persons, and, accordingly, are subject to change.

Introduction

As an investment adviser registered under the Advisers Act, GC Advisors has a fiduciary duty to act solely in our best interests. As part of this duty, GC Advisors recognizes that it must vote our securities in a timely manner free of conflicts of interest and in our best interests.

GC Advisors policies and procedures for voting proxies for its investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

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Proxy Policies

GC Advisors votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. GC Advisors reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities we hold. In most cases GC Advisors will vote in favor of proposals that GC Advisors believes are likely to increase the value of the portfolio securities we hold. Although GC Advisors will generally vote against proposals that may have a negative effect on our portfolio securities, GC Advisors may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by GC Advisors Chief Executive Officer and President. To ensure that GC Advisors vote is not the product of a conflict of interest, GC Advisors requires that (1) anyone involved in the decision-making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how GC Advisors intends to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, GC Advisors will disclose such conflicts to us, including our independent directors, and may request guidance from us on how to vote such proxies.

Proxy Voting Records

You may obtain information without charge about how GC Advisors voted proxies by making a written request for proxy voting information to Golub Capital BDC, Inc., Attention: Investor Relations, 150 South Wacker Drive, Suite 800, Chicago, IL 60606, or by calling Golub Capital BDC, Inc. collect at (312) 205-5050.

Privacy Principles

We are committed to maintaining the privacy of our stockholders and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to nonpublic personal information about our stockholders to employees of GC Advisors and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

Other

Under the 1940 Act, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person s office.

We and GC Advisors will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of relevant federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering these policies and procedures.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company prohibition on transactions with affiliates to prohibit joint transactions among entities that share a common investment adviser. The staff of the SEC has granted no-action relief permitting purchases of a single class of privately

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placed securities provided that the adviser negotiates no term other than price and certain other conditions are met. As a result, we only expect to co-invest on a concurrent basis with other accounts sponsored or managed by GC Advisors when each of us will own the same securities of the issuer and when no term is negotiated other than price. Any such investment would be made, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. If opportunities arise that would otherwise be appropriate for us and for another account sponsored or managed by GC Advisors to make different investments in the same issuer, GC Advisors will need to decide which account will proceed with the investment. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which another account sponsored or managed by GC Advisors has previously invested.

We and GC Advisors have submitted an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments because we believe that it will be advantageous for us to co-invest with accounts sponsored or managed by GC Advisors where such investment is consistent with our investment objectives, positions, policies, strategies and restrictions, as well as regulatory requirements and other pertinent factors. We believe that co-investment by us and accounts sponsored or managed by GC Advisors may afford us additional investment opportunities and the ability to achieve greater diversification.

Under the terms of the relief we have requested, a required majority (as defined in Section 57(o) of the 1940 Act) of our independent directors would make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment strategies and policies. There is no assurance that our application for exemptive relief will be granted by the SEC or that, if granted, it will be on the terms set forth above.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 under the Exchange Act, beginning with our fiscal year ended September 30, 2011, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under such act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we comply with that act.

Small Business Investment Company Regulations

On August 24, 2010, our wholly owned subsidiary, GC SBIC IV, L.P., received approval for a license from the U.S. Small Business Administration, or the SBA, to operate as an SBIC. As a wholly owned subsidiary, GC SBIC IV, L.P. may rely on an exclusion from the definition of investment company under the 1940 Act. As such, this subsidiary will not elect to be regulated as a business development company under the 1940 Act.

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GC SBIC IV, L.P. has an investment objective substantially similar to ours and makes similar types of investments in accordance with SBIC regulations.

Prior to GC SBIC IV, L.P. obtaining approval from the SBA, Golub Capital managed two SBICs licensed by the SBA for more than 14 years. The SBIC license allows GC SBIC IV, L.P. to incur leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment and certain approvals by the SBA and customary procedures. SBA-guaranteed debentures carry long-term fixed rates that are generally lower than rates on comparable bank and other debt. Under the regulations applicable to SBICs, an SBIC may have outstanding debentures guaranteed by the SBA generally in an amount of up to twice its regulatory capital, which generally equates to the amount of its equity capital. SBIC regulations currently limit the amount that an SBIC subsidiary may borrow to a maximum of $150 million, assuming that it has at least $75 million of equity capital. GC SBIC IV, L.P. will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is $225.0 million and the maximum amount that may be issued by a single SBIC licensee is $150.0 million. An affiliate of the Investment Adviser manages another SBIC. As of September 30, 2012, the affiliated SBIC licensee had $41.6 million of SBA-guaranteed debentures outstanding, while GC SBIC IV, L.P. had $123.5 million of outstanding SBA-guaranteed debentures, leaving incremental borrowing capacity of $26.5 million for GC SBIC IV L.P. to reach its cap of $150 million of SBA-guaranteed debentures under present SBIC regulations. On August 24, 2010, the date GC SBIC IV, L.P. received its license from the SBA, the SBA restricted the affiliated SBIC licensee from making new investments. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies.

On February 2, 2012, we received a Green Light letter from the SBA allowing us to proceed with an application for a second SBIC license and we submitted such an application to the SBA on April 19, 2012. On May 18, 2012, we received an Acceptance Letter from the SBA notifying us that the application had been accepted by the SBA for further processing. The application process is anticipated to take six to twelve months. If approved, the additional license will provide us with an incremental source of attractive long-term capital.

On September 13, 2011, we received exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary from our 200% asset coverage test under the 1940 Act. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBIC regulations, SBICs may make loans to eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

Under present SBIC regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $18 million and have average annual net income after U.S. federal income taxes not exceeding $6 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 20% of its investment activity to smaller concerns, as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6 million and have average annual net income after U.S. federal income taxes not exceeding $2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBIC regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the company at the time of the follow on investment, up to the time of the company s initial public offering, if any.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside the United States, to businesses engaged in a few prohibited industries and to certain passive (*i.e.*, non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC s regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances, regulations adopted by the SBA in 2002 now allow an SBIC to exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA s prior written approval.

The SBA restricts the ability of an SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. A change of control is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of a SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (1) direct obligations of, or obligations guaranteed as to principal and interest by, the U.S. government, which mature within 15 months from the date of the investment; (2) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (3) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (4) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (5) a checking account in a federally insured institution; or (6) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA s staff to determine their compliance with SBIC regulations and are periodically required to file certain forms with the SBA.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

Election to Be Taxed as a RIC

As a business development company, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, at least 90% of our investment company taxable income, which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the Annual Distribution Requirement).

Taxation as a RIC

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, defined as net long-term capital gains in excess of net short-term capital losses,

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we distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gain not distributed to our stockholders.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

qualify to be treated as a business development company under the 1940 Act at all times during each taxable year;
derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities, and net income derived from interests in qualified publicly traded partnerships (partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends and other permitted RIC income) (the 90% Income Test); and
diversify our holdings so that at the end of each quarter of the taxable year:
at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (the Diversification Tests).
We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income, franchise or withholding liabilities.

In addition, we are subject to ordinary income and capital gain distribution requirements under U.S. federal excise tax rules for each calendar year. If we do not meet the required distributions we will be subject to a 4% nondeductible federal excise tax on the undistributed amount. The failure to meet U.S. federal excise tax distribution requirements will not cause us to lose our RIC status. We currently intend to make sufficient distributions each taxable year to satisfy the U.S. federal excise tax requirements.

Any underwriting fees paid by us are not deductible. We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (1) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (2) treat dividends that would otherwise be eligible for the corporate dividends received deduction as ineligible for such treatment, (3) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (4) convert lower-taxed long-term capital gain into higher-taxed short-term capital gain or ordinary income, (5) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (6) cause us to recognize income or gain without a corresponding receipt of cash, (7) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (8) adversely alter the characterization of certain complex financial transactions and (9) produce income that

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will not be qualifying income for purposes of the 90% Income Test. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions and prevent our disqualification as a RIC.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long term or short term, depending on how long we held a particular warrant.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain asset coverage tests are met. See Business Regulation Senior Securities. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If we were unable to qualify for treatment as a RIC and are unable to cure the failure, for example, by disposing of certain investments quickly or raising additional capital to prevent the loss of RIC status, we would be subject to tax on all of our taxable income at regular corporate rates. The enacted Regulated Investment Company Modernization Act of 2010 , which is generally effective for 2011 and subsequent tax years, provides some relief from RIC disqualification due to failures of the source of income and asset diversification requirements, although there may be additional taxes due in such cases. We cannot assure you that we would qualify for any such relief should we fail the income source or asset diversification requirements.

Should failure occur; not only would all our taxable income be subject to tax at regular corporate rates, we would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders would be eligible to claim a dividends received deduction with respect to such dividends, and for tax years beginning before 2013 (if not extended further by Congress), non-corporate stockholders would generally be able to treat such dividends as qualified dividend income, which is subject to reduced rates of U.S. federal income tax. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder s tax basis, and any remaining distributions would be treated as a capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

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Item 1A. Risk Factors

You should carefully consider these risk factors, together with all of the other information included in this annual report on Form 10-K and the other reports and documents filed by us with the SEC. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment. The risk factors described below are the principal risk factors associated with an investment in us as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

Risks Relating to Our Business and Structure

We have a limited operating history as a business development company.

Our predecessor, GCMF, was formed in June 2007 and commenced operations in July 2007. Prior to the completion of our initial public offering in April 2010, we did not operate as a business development company or RIC. As a result of our limited operating history, we are subject to the business risks and uncertainties associated with recently formed businesses, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially.

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to other accounts sponsored or managed by GC Advisors and its affiliates. Business development companies are required, for example, to invest at least 70% of their total assets in qualifying assets. Moreover, qualification for taxation as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. Neither we nor GC Advisors has significant experience operating under these constraints, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective.

We are dependent upon key personnel of GC Advisors for our future success and upon their access to the investment professionals and partners of Golub Capital and its affiliates.

We do not have any internal management capacity or employees. We depend on the diligence, skill and network of business contacts of the senior investment professionals of GC Advisors to achieve our investment objective. We expect that GC Advisors will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Investment Advisory Agreement. We can offer no assurance, however, that the senior investment professionals of GC Advisors will continue to provide investment advice to us. If these individuals do not maintain their existing relationships with Golub Capital and its affiliates and do not develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior investment professionals of GC Advisors have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

GC Advisors is an affiliate of Golub Capital and depends upon access to the investment professionals and other resources of Golub Capital and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. GC Advisors also depends upon Golub Capital to obtain access to deal flow generated by the professionals of Golub Capital and its affiliates. Under the Staffing Agreement, Golub Capital provides GC Advisors with the resources necessary to fulfill these obligations. The Staffing Agreement provides that Golub Capital makes available to GC Advisors experienced investment professionals and provides access to the senior investment personnel of Golub Capital for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to the Staffing Agreement and cannot assure you that Golub Capital will fulfill its obligations under the agreement. If Golub Capital fails to perform, we cannot assure you that GC Advisors will enforce the Staffing Agreement, that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of Golub Capital and its affiliates or their information and deal flow.

GC Advisors investment committee provides oversight over our investment activities. GC Advisors investment committee consists of two members of our board of directors and two additional employees of

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Golub Capital. The loss of any member of GC Advisors investment committee or of other senior investment professionals of GC Advisors and its affiliates would limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition, results of operations and cash flows.

Our business model depends to a significant extent upon strong referral relationships with sponsors. Any inability of GC Advisors to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon Golub Capital s relationships with sponsors, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If Golub Capital fails to maintain such relationships, or to develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the principals of Golub Capital have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future.

We may not replicate the historical results achieved by our predecessor, GCMF, or other entities managed or sponsored by members of GC Advisors investment committee, or by GC Advisors or its affiliates.

Our investments may differ from those of our predecessor, GCMF, and existing accounts that are or have been sponsored or managed by members of GC Advisors investment committee, GC Advisors or affiliates of GC Advisors. Investors in our common stock are not acquiring an interest in any accounts that are or have been sponsored or managed by members of GC Advisors investment committee, GC Advisors or affiliates of GC Advisors. We may consider co-investing in portfolio investments with other accounts sponsored or managed by members of GC Advisors investment committee, GC Advisors or its affiliates. Any such investments are subject to regulatory limitations and approvals by directors who are not interested persons, as defined in the 1940 Act. We can offer no assurance, however, that we will obtain such approvals or develop opportunities that comply with such limitations. We also cannot assure you that we will replicate the historical results achieved by members of the investment committee, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. Moreover, current or future market volatility and regulatory uncertainty may have an adverse impact on our future performance.

Our financial condition, results of operations and cash flows depend on our ability to manage our business effectively.

Our ability to achieve our investment objective depends on our ability to manage our business and to grow. This depends, in turn, on GC Advisors ability to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis depends upon GC Advisors execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. GC Advisors has substantial responsibilities under the Investment Advisory Agreement, as well as responsibilities in connection with the management of other accounts sponsored or managed by GC Advisors, members of GC Advisors investment committee or Golub Capital and its affiliates. The personnel of GC Advisors and its affiliates, including GC Service, may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

There are significant potential conflicts of interest that could affect our investment returns.

As a result of our arrangements with GC Advisors and its affiliates and GC Advisors investment committee, there may be times when GC Advisors or such persons have interests that differ from those of our securityholders, giving rise to a conflict of interest.

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Conflicts related to obligations GC Advisors investment committee, GC Advisors or its affiliates have to other clients.

The members of GC Advisors investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of accounts sponsored or managed by GC Advisors or its affiliates. Similarly, GC Advisors or its affiliates currently manage and may have other clients with similar or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. For example, Lawrence E. Golub and David B. Golub have management responsibilities for other accounts managed or sponsored by GC Advisors or its affiliates. Our investment objective may overlap with the investment objectives of such affiliated accounts. For example, GC Advisors currently manages several private funds that are pursuing an investment strategy similar to ours, some of which are continuing to seek new capital commitments, and we may compete with these and other accounts sponsored or managed by GC Advisors and its affiliates for capital and investment opportunities. As a result, those individuals may face conflicts in the allocation of investment opportunities among us and other accounts advised by or affiliated with GC Advisors. GC Advisors seeks to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. If sufficient securities or loan amounts are available to satisfy our and each such account s proposed investment, the opportunity will be allocated in accordance with GC Advisor s pre-transaction determination. Where there is an insufficient amount of an investment opportunity to fully satisfy us and other accounts sponsored or managed by GC Advisors or its affiliates, the allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. However, there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

GC Advisors investment committee, GC Advisors or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

Principals of GC Advisors and its affiliates and members of GC Advisors investment committee may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

Our management and incentive fee structure may create incentives for GC Advisors that are not fully aligned with the interests of our stockholders.

In the course of our investing activities, we pay management and incentive fees to GC Advisors. These fees are based on our average adjusted gross assets, which include leverage. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our average adjusted gross assets, GC Advisors benefits when we incur debt or use leverage. Although GC Advisors makes recommendations to our board of directors with respect to leverage policies, our board of directors determines our leverage policy, including approving in advance the incurrence of material indebtedness and the execution of material contracts. Additionally, under the incentive fee structure, GC Advisors benefits when we recognize capital gains and, because GC Advisors determines when a holding is sold, GC Advisors controls the timing of the recognition of such capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While they are not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, GC Advisors or its affiliates may from time to time have interests that differ from those of our securityholders, giving rise to a conflict.

Our management and incentive fee structure may create incentives for GCAdvisors that are not fully aligned with th

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The part of the incentive fee payable to GC Advisors that relates to our net investment income is computed and paid on income that may include interest income that has been accrued but not yet received in cash. This fee structure may be considered to involve a conflict of interest for GC Advisors to the extent that it may encourage GC Advisors to favor debt financings that provide for deferred interest, rather than current cash payments of interest. GC Advisors may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because GC Advisors is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued.

Our incentive fee may induce GC Advisors to make certain investments, including speculative investments.

The incentive fee payable by us to GC Advisors may create an incentive for GC Advisors to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to GC Advisors is determined may encourage GC Advisors to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor our securityholders.

The incentive fee payable by us to GC Advisors also may create an incentive for GC Advisors to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we accrue the interest over the life of the investment but do not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee is based on income that we have not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities.

Additionally, the incentive fee payable by us to GC Advisors may create an incentive for GC Advisors to cause us to realize capital gains or losses (including realized capital gains or losses on derivative instruments) that may not be in the best interests of us or our stockholders. Under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because GC Advisors determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While it is not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

The majority of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, our board of directors will determine the fair value of these securities in good faith as described below in Many of our portfolio investments are recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments. In connection with that determination, investment professionals from GC Advisors may provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, Lawrence E. Golub and David B. Golub have an indirect pecuniary interest in GC Advisors. The participation of GC Advisors investment professionals in our valuation process, and the indirect pecuniary interest in GC Advisors by Lawrence E. Golub and David B. Golub, could result in a conflict of interest as GC Advisors management fee is based, in part, on our average adjusted gross assets (including leverage but excluding cash) and our incentive fees will be based, in part, on unrealized gains and losses.

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Conflicts related to other arrangements with GC Advisors or its affiliates.

We have entered into a license agreement with Golub Capital LLC under which Golub Capital LLC has granted us a non-exclusive, royalty-free license to use the name Golub Capital . See Business Management Agreements License Agreement. In addition, we pay to GC Service our allocable portion of overhead and other expenses incurred by GC Service in performing its obligations under the Administration Agreement, such as rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. These arrangements create conflicts of interest that our board of directors must monitor.

The Investment Advisory Agreement with GC Advisors and the Administration Agreement with GC Service were not negotiated on an arm s-length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to GC Advisors, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under these agreements because of our desire to maintain our ongoing relationship with GC Advisors, GC Service and their respective affiliates. Any such decision, however, would breach our fiduciary obligations to our stockholders.

Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. We consider GC Advisors and its affiliates to be our affiliates for such purposes. The 1940 Act also prohibits certain joint transactions with certain of our affiliates, which could include investments in the same portfolio company, without prior approval of our independent directors and, in some cases, of the SEC. We are prohibited from buying or selling any security from or to, among others, any person who owns more than 25% of our voting securities or certain of that person s affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC.

We may, however, invest alongside GC Advisors and its affiliates other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may invest alongside such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that GC Advisors, acting on our behalf and on behalf of its other clients, negotiates no term other than price. We may also invest alongside GC Advisors other clients as otherwise permissible under regulatory guidance, applicable regulations and GC Advisors allocation policy. Under this allocation policy, GC Advisors determines separately the amount of any proposed investment to be made by us and similar eligible accounts. We expect that these determinations will be made similarly for other accounts sponsored or managed by GC Advisors and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account s proposed investment, the opportunity will be allocated in accordance with GC Advisor s pre-transaction determination. Where there is an insufficient amount of an investment opportunity to fully satisfy us and other accounts sponsored or managed by GC Advisors or its affiliates, the allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

In situations in which co-investment with other accounts sponsored or managed by GC Advisors or its affiliates is not permitted or appropriate, such as when, in the absence of exemptive relief described below, we and such other entities may make investments in the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other GC Advisors clients, GC Advisors needs to decide whether we or such other entity or entities will proceed with such investments. GC Advisors makes these determinations based on its policies and procedures, which generally require that such investment opportunities be offered to eligible accounts on a basis that is fair and equitable over time, including, for example, through random or rotational methods. Moreover, except in certain circumstances, we are unable to invest in any issuer in which an account sponsored or managed by GC Advisors or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, without the prior approval of the SEC. The SEC has interpreted the business development company regulations governing transactions with affiliates to prohibit certain joint transactions between entities that share a common investment adviser.

We and GC Advisors have submitted an application for exemptive relief from the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by GC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We believe that co-investments by us and other accounts sponsored or managed by GC Advisors and its affiliates may afford us additional investment opportunities and an ability to achieve greater diversification. Accordingly, our application for exemptive relief seeks an exemptive order permitting us to invest with accounts sponsored or managed by GC Advisors or its affiliates in the same portfolio companies under circumstances in which such investments would otherwise not be permitted under the 1940 Act. We expect that such exemptive relief permitting co-investments, if granted, would apply only if our independent directors review and approve each co-investment.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

A number of entities compete with us to make the types of investments that we plan to make. We compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or the source of income, asset diversification and distribution requirements we must satisfy to maintain our qualification as a RIC. The competitive pressures we face may have a material adverse effect on our business, financial condition, results of operations and cash flows. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

With respect to the investments we make, we do not seek to compete based primarily on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we compete generally on the basis of pricing terms. With respect to all investments, we may lose some investment opportunities if we do not match our competitors pricing, terms and structure. However, if we match our competitors pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with accounts managed or sponsored by GC Advisors or its affiliates. Although GC Advisors allocates opportunities in accordance with its policies and procedures, allocations to such other accounts will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our securityholders. Moreover, the performance of investments will not be known at the time of allocation. See Risk Factors Risks Relating to Our Business and Structure There are significant potential conflicts of interest that could affect our investment returns, Conflicts

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related to obligations GC Advisors investment committee, GC Advisors or its affiliates have to other clients and Management s Discussion and Analysis of Financial Condition and Results of Operations Related Party Transactions.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC.

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and distribution requirements. The distribution requirement for a RIC is satisfied if we 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 stockholders on an annual basis. We are subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of our qualification as a RIC. Because most of our investments are in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our securityholders. See Business Taxation as a RIC.

We may need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to grow. In addition, we are required 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 stockholders to maintain our qualification as a RIC. As a result, these earnings are not available to fund new investments. An inability to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which may have an adverse effect on the value of our securities.

We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income.

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as the accretion of original issue discount. This may arise if we receive warrants in connection with the making of a loan and in other circumstances, or through contracted PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, or increases in loan balances as a result of contracted PIK arrangements, is included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement 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 stockholders to maintain our qualification as a RIC. In such a case, we may have to sell some of our investments at times we would not

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consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain such cash from other sources, we may fail to qualify as a RIC and thus be subject to corporate-level income tax. See Business Taxation as a RIC.

Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital exposes us to risks, including the typical risks associated with leverage.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted as a business development company to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief we have been granted by the SEC) less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief we have been granted by the SEC). If the value of our assets declines, we may be unable to satisfy this ratio. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. As of September 30, 2012, we had $352.3 million of outstanding borrowings, including $174.0 million outstanding under the Debt Securitization.

In the absence of an event of default, no person or entity from which we borrow money will have a veto right or voting power over our ability to set policy, make investment decisions or adopt investment strategies. If we issue preferred stock, which is another form of leverage, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue. In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock. We do not, however, anticipate issuing preferred stock in the next 12 months.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution.

We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. We may issue senior debt securities to banks, insurance companies and other lenders. Lenders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make distributions on our common stock or any outstanding preferred stock. Our ability to service our debt depends largely on our financial performance and is subject to prevailing economic conditions and competitive pressures. Moreover, as the base management fee payable to GC Advisors is payable based on our average adjusted gross assets, including those assets acquired through the use of leverage, GC Advisors has a financial incentive to incur leverage which may not be consistent with our stockholders interests. In addition, our common stockholders bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the base management fee payable to GC Advisors.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include the Class A Notes issued by the Securitization Issuer, our other borrowings (other than the SBA debentures of an SBIC subsidiary, as permitted by exemptive relief we have been granted by the SEC) and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on GC Advisors and our board of directors assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

On September 13, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage requirement to exclude the SBA debentures from this calculation. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to common stockholder[1]	-23 %	-13 %	-3 %	6 %	16 %

(1) Assumes \$734.1 million in total assets, \$352.3 million in debt outstanding and \$375.1 million in net assets as of September 30, 2012 and an effective annual interest rate of 3.5%.

Based on our outstanding indebtedness of \$352.3 million as of September 30, 2012 and the effective annual interest rate of 3.5% as of that date, our investment portfolio would have been required to experience an annual return of at least 1.7% to cover annual interest payments on the outstanding debt.

We are subject to risks associated with the Debt Securitization.

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

We are subject to certain risks as a result of our indirect interests in the junior notes and membership interests of the Securitization Issuer.

Under the terms of the master loan sale agreement governing the Debt Securitization, (1) we sold and/or contributed to Holdings all of our ownership interest in our portfolio loans and participations for the purchase price and other consideration set forth in the master loan sale agreement and (2) Holdings, in turn, sold and/or contributed to the Securitization Issuer all of its ownership interest in such portfolio loans and participations for the purchase price and other consideration set forth in the master loan sale agreement. Following these transfers, the Securitization Issuer, and not Holdings or us, held all of the ownership interest in such portfolio loans and participations. As a result of the Debt Securitization, we hold indirectly through Holdings a combination of junior notes comprised of Class B Notes and Subordinated Notes as well as membership interests, which comprise 100% of the equity interests, in the Securitization Issuer. As a result, we consolidate the financial statements of Holdings and the Securitization Issuer, as well as our other subsidiaries, in our consolidated financial statements. Because each of Holdings and the Securitization Issuer is disregarded as an entity separate from its owner for U.S. federal income tax purposes, the sale or contribution by us to Holdings, and by Holdings to the Securitization Issuer, did not constitute a taxable event for U.S. federal income tax purposes. If the U.S. Internal Revenue Service were to take a contrary position, there could be a material adverse effect on our business, financial condition, results of operations or cash flows. The securities issued by the Securitization Issuer, or by any securitization vehicle we sponsor in the future, could be acquired by another business development company or securitization vehicle subject to the satisfaction of certain conditions. We may also, from time to time, hold asset-backed securities, or the economic equivalent thereof, issued by a securitization vehicle sponsored by another business development company to the extent permitted under the 1940 Act.

The Subordinated Notes and membership interests in the Securitization Issuer are subordinated obligations of the Securitization Issuer.

The Subordinated Notes are the most junior class of notes issued by the Securitization Issuer, are subordinated in priority of payment to every other class of notes issued by the Securitization Issuer and are subject to certain payment restrictions set forth in the indenture governing the notes. Therefore, Holdings only receives cash distributions on the Subordinated Notes if the Securitization Issuer has made all cash interest payments to all other notes it has issued, and we only receive cash distributions in respect of our indirect ownership of the Securitization Issuer to the extent that Holdings receives any cash distributions in respect of its direct ownership of the Securitization Issuer. The Subordinated Notes are also unsecured and rank behind all of the secured creditors, known or unknown, of the Securitization Issuer, including the holders of the senior notes it has issued. Consequently, to the extent that the value of the Securitization Issuer s portfolio of loan investments has been reduced as a result of conditions in the credit markets, or as a result of defaulted loans or individual fund assets, the value of the Subordinated Notes at their redemption could be reduced.

The membership interests in the Securitization Issuer represent all of the equity interest in the Securitization Issuer. As such, the holder of the membership interests is the residual claimant on distributions, if any, made by the Securitization Issuer after holders of all classes of notes issued by the Securitization Issuer have been paid in full on each payment date or upon maturity of such notes under the Debt Securitization documents. Such payments may be made by the Securitization Issuer only to the extent permitted under the Debt Securitization documents on any payment date or upon payment in full of the notes issued by the Securitization Issuer.

The interests of holders of the senior classes of securities issued by the Securitization Issuer may not be aligned with our interests.

The Class A Notes are the debt obligations ranking senior in right of payment to other securities issued by the Securitization Issuer in the Debt Securitization. As such, there are circumstances in which the interests of holders of the Class A Notes may not be aligned with the interests of holders of the other classes of notes issued by, and membership interests of, the Securitization Issuer. For example, under the terms of the Class A Notes, holders of the Class A Notes have the right to receive payments of principal and interest prior to holders of the Class B Notes, the Subordinated Notes and the membership interests.

For as long as the Class A Notes remain outstanding, holders of the Class A Notes comprise the Controlling Class under the Debt Securitization and, as such, they have the right to act in certain circumstances with respect to the portfolio loans in ways that may benefit their interests but not the interests of holders of more junior classes of notes and membership interests, including by exercising remedies under the indenture in the Debt Securitization.

If an event of default has occurred and acceleration occurs in accordance with the terms of the indenture, the most senior class of notes then outstanding will be paid in full before any further payment or distribution on

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the more junior classes of notes and membership interests. In addition, if an event of default occurs, holders of a majority of the Controlling Class will be entitled to determine the remedies to be exercised under the indenture, subject to the terms of the indenture. For example, upon the occurrence of an event of default with respect to the notes issued by the Securitization Issuer, the trustee or holders of a majority of the Controlling Class may declare the principal, together with any accrued interest, of all the notes of such class and any junior classes to be immediately due and payable. This would have the effect of accelerating the principal on such notes, triggering a repayment obligation on the part of the Securitization Issuer. If at such time the portfolio loans were not performing well, the Securitization Issuer may not have sufficient proceeds available to enable the trustee under the indenture to repay the obligations of holders of the Class B Notes or the Subordinated Notes, or to pay a dividend to holders of the membership interests.

Remedies pursued by the Controlling Class could be adverse to the interests of the holders of the notes that are subordinated to the Controlling Class (which would include the Class B Notes and Subordinated Notes to the extent the Class A Notes constitute the Controlling Class), and the Controlling Class will have no obligation to consider any possible adverse effect on such other interests. Thus, we cannot assure you that any remedies pursued by the Controlling Class will be in the best interests of Holdings or that Holdings will receive any payments or distributions upon an acceleration of the notes. Any failure of the Securitization Issuer to make distributions on the notes we indirectly hold, whether as a result of an event of default or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flows and may result in an inability of us to make distributions sufficient to maintain our status as a RIC.

The Securitization Issuer may fail to meet certain asset coverage tests.

Under the documents governing the Debt Securitization, there are two asset coverage tests applicable to the Class A Notes and Class B Notes. The first such test compares the amount of interest received on the portfolio loans held by the Securitization Issuer to the amount of interest payable in respect of the Class A Notes and Class B Notes. To meet this first test, interest received on the portfolio loans must equal at least 115% of the interest payable in respect of the Class A Notes and Class B Notes. The second such test compares the principal amount of the portfolio loans to the aggregate outstanding principal amount of the Class A Notes and Class B Notes. To meet this second test at any time, the aggregate principal amount of the portfolio loans must equal at least 158% of the outstanding principal amount of the Class A Notes and the Class B Notes, taken together. If either coverage test is not satisfied, interest and principal received by the Securitization Issuer are diverted on the following payment date to pay the Class A Notes in full and then the Class B Notes in full (in order of seniority) to the extent necessary to cause all coverage tests to be satisfied on a pro forma basis after giving effect to all payments made in respect of the notes, which we refer to as a mandatory redemption. If any asset coverage test with respect to the Class A Notes or Class B Notes is not met, proceeds from the portfolio of loan investments that otherwise would have been distributed to the Securitization Issuer and the holders of the Subordinated Notes will instead be used to redeem first the Class A Notes and then the Class B Notes, to the extent necessary to satisfy the applicable asset coverage tests or to obtain the necessary ratings confirmation.

The value of the Class B Notes could be adversely affected by a mandatory redemption because such redemption could result in the Class B Notes being redeemed at par at a time when they are trading in the secondary market at a premium to their stated principal amount and when other investments bearing the same rate of interest may be difficult or expensive to acquire. A mandatory redemption could also result in a shorter investment duration than a holder of Class B Notes may have wanted or anticipated, which could, in turn, result in such a holder incurring breakage costs on related hedging transactions. In addition, the reinvestment period under the Debt Securitization may extend through as late as July 20, 2015, which could affect the value of the collateral securing the Class B Notes and the Subordinated Notes.

We may not receive cash from the Securitization Issuer.

We receive cash from the Securitization Issuer only to the extent that Holdings receives payments on the Class B Notes, Subordinated Notes or membership interests. The Securitization Issuer may only make payments on such securities to the extent permitted by the payment priority provisions of the indenture governing the notes, which generally provides that principal payments on the Class B Notes and the Subordinated Notes may not be made on any payment date unless all amounts owing under the Class A Notes

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are paid in full. In addition, if the Securitization Issuer does not meet the asset coverage tests or the interest coverage test set forth in the documents governing the Debt Securitization, cash would be diverted from the Class B Notes and the Subordinated Notes to first pay the Class A Notes in amounts sufficient to cause such tests to be satisfied. In the event that we fail to indirectly receive cash from the Securitization Issuer, we could be unable to make such distributions in amounts sufficient to maintain our status as a RIC, or at all.

We may be required to assume liabilities of the Securitization Issuer.

As part of the Debt Securitization, we entered into a master loan sale agreement under which we would be required to repurchase any loan (or participation interest therein) which was sold to the Securitization Issuer in breach of any representation or warranty made by us with respect to such loan on the date such loan was sold. To the extent we fail to satisfy any such repurchase obligation, the trustee may, on behalf of the Securitization Issuer, bring an action against us to enforce these repurchase obligations.

The structure of the Debt Securitization is intended to prevent, in the event of our bankruptcy or the bankruptcy of Holdings, the consolidation of the Securitization Issuer with our operations or those of Holdings. If the true sale of these assets were not respected in the event of our insolvency, a trustee or debtor-in-possession might reclaim the assets of the Securitization Issuer for our estate. However, in doing so, we would become directly liable for all of the indebtedness then outstanding under the Debt Securitization, which would equal the full amount of debt of the Securitization Issuer reflected on our consolidated balance sheet. In addition, we cannot assure that the recovery in the event we were consolidated with the Securitization Issuer for purposes of any bankruptcy proceeding would exceed the amount to which we would otherwise be entitled as an indirect holder of the Class B Notes and the Subordinated Notes had we not been consolidated with the Securitization Issuer.

In addition, in connection with the Debt Securitization, we indirectly gave the lenders certain customary representations with respect to the legal structure of the Securitization Issuer and the quality of the assets transferred to it. We remain indirectly liable for any incorrect statements or omissions for a period of at least one year, and potentially for the life of the Debt Securitization.

The Securitization Issuer may issue additional Subordinated Notes.

Under the terms of the Debt Securitization documents, the Securitization Issuer could issue additional Subordinated Notes and use the net proceeds of such issuance to purchase additional portfolio loans. Any such additional issuance, however, would require the consent of the collateral manager and the approval of a majority of the Subordinated Notes. Among the other conditions that must be satisfied in connection with an additional issuance of Subordinated Notes, the aggregate principal amount of all additional issuances of Subordinated Notes may not exceed $116 million; the Issuer must notify each rating agency of such issuance prior to the issuance date; and the terms of the Subordinated Notes to be issued must be identical to the terms of previously issued Subordinated Notes (except that all monies due on such additional Subordinated Notes will accrue from the issue date of such notes and that the prices of such Subordinated Notes do not have to be identical to those of the initial Subordinated Notes). We do not expect to cause the Securitization Issuer to issue any additional Subordinated Notes at this time, and the terms of the Debt Securitization documents do not provide for additional issuances of Class A Notes or Class B Notes.

We are subject to risks associated with the Credit Facility.

On July 21, 2011, Golub Capital BDC Funding LLC, or Funding, our wholly owned subsidiary, entered into a $75 million senior secured revolving credit facility, or the Credit Facility, with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender, or the Lender. Effective October 21, 2012, the Credit Facility Amendment was amended to, among other things, extend the reinvestment period from October 21, 2012 to October 21, 2013 and extend the stated maturity date from October 21, 2015 to October 20, 2017. 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

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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 our ability, as servicer, to sell investments. As a result, there may be times or circumstances during which we are unable to sell investments or take other actions that might be in our best interests.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a business development company, we are not permitted to acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and investments in distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than $250 million at the time of such investment.

To the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we continue to use debt to finance our investments. In periods of rising interest rates, our cost of funds will increase because the interest rates on the Class A Notes and Class B Notes issued under the Debt Securitization and amounts borrowed under the Credit Facility are floating, which could reduce our net investment income to the extent any debt investments have fixed interest rates. We expect that our long-term fixed-rate investments will be financed primarily with issuances of equity and long-term debt securities. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act and applicable commodities laws.

You should also be aware that a rise in the general level of interest rates typically will lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase of the amount of incentive fees payable to GC Advisors.

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We may enter into reverse repurchase agreements, which are another form of leverage.

We may enter into reverse repurchase agreements as part of our management of our temporary investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly receive back our collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of us.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to purchase. In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements, our net asset value would decline, and, in some cases, we may be worse off than if we had not used such agreements.

We are currently operating in a period of capital markets disruption.

The U.S. capital markets have experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. A prolonged period of market illiquidity or uncertainty regarding U.S. tax rates, U.S. government spending and deficit levels and implementation of global fiscal austerity measures may have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions, including future recessions, also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

Adverse developments in the credit markets may impair our ability to enter into new debt financing arrangements.

During the economic downturn in the United States that began in mid-2007, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited routine refinancing and loan modification transactions and even reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. As a result, it may be difficult for us to finance the growth of our investments on acceptable economic terms, or at all.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See Business Regulation Qualifying Assets.

In the future, we believe that most of our investments will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could violate the 1940 Act provisions applicable to business development companies. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we do not maintain our status as a business development company, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end investment company, we would be subject to substantially more regulatory restrictions under the 1940 Act which would significantly decrease our operating flexibility.

Many of our portfolio investments are recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.

The majority of our portfolio investments take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value these securities at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our securities. As discussed in more detail under Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies, most, if not all, of our investments (other than cash and cash equivalents) are classified as Level 3 under Accounting Standards Codification, or ASC, Topic 820, *Fair Value Measurement*. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which may include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We have retained the services of one or more independent service providers to review the valuation of these securities. The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities, including such factors as yield, maturity and measures of credit quality, 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 flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

We adjust quarterly the valuation of our portfolio to reflect our board of directors determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our consolidated statement of operations as net change in unrealized appreciation or depreciation.

We may experience fluctuations in our quarterly operating results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. In light of these factors, results for any period should not be relied upon as being indicative of our performance in future periods.

New or modified laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the U.S. federal, state and local levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws, regulations and interpretations may also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business. In particular, on July 21, 2010, the Dodd-Frank Wall Street

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Reform and Consumer Protection Act, or Dodd-Frank, became law. Dodd-Frank, among other things, grants regulatory authorities such as the Commodity Futures Trading Commission, or CFTC, and the SEC broad rulemaking authority to implement various provisions of Dodd-Frank. The scope of Dodd-Frank impacts many aspects of the financial services industry, and it requires the development and adoption of many implementing regulations, including comprehensive regulation of the over-the-counter derivatives market, over the next several months and years. The effects of Dodd-Frank on the financial services industry will depend, in large part, upon the extent to which regulators exercise the authority granted to them and the approaches taken in implementing regulations. We have begun to assess the potential impact of Dodd-Frank on our business and operations, but the likely impact cannot be ascertained with any degree of certainty.

Additionally, changes to the laws and regulations governing our operations, including those associated with RICs, may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities or result in the imposition of corporate-level taxes on us. Such changes could result in material differences to our strategies and plans and may shift our investment focus from the areas of expertise of GC Advisors to other types of investments in which GC Advisors may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive our investment objective and certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. Under Delaware law, we also cannot be dissolved without prior stockholder approval. We cannot predict the effect any changes to our current investment objective, operating policies and strategies would have on our business, operating results and the price value of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions.

Provisions of the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.

The General Corporation Law of the State of Delaware, or the DGCL, contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are subject to Section 203 of the DGCL, the application of which is subject to any applicable requirements of the 1940 Act. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. If our board of directors does not approve a business combination, Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation classifying our board of directors in three classes serving staggered three-year terms, and provisions of our certificate of incorporation authorizing our board of directors to classify or reclassify shares of our preferred stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our certificate of incorporation, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our securityholders.

GC Advisors can resign on 60 days notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

GC Advisors has the right to resign under the Investment Advisory Agreement at any time upon not less than 60 days written notice, whether we have found a replacement or not. If GC Advisors resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by GC Advisors and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

GC Service can resign on 60 days notice, and we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

GC Service has the right to resign under the Administration Agreement at any time upon not less than 60 days written notice, whether we have found a replacement or not. If GC Service resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by GC Service. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

We incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and other rules implemented by the SEC.

Our compliance with Section 404 of the Sarbanes-Oxley Act involves significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act would adversely affect us and the market price of our common stock.

Under current SEC rules, we are required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC. As a result, we are incurring additional expenses that may negatively impact our financial performance and our ability to make distributions. This process also results in a diversion of management s time and attention. We cannot ensure that our evaluation, testing and remediation process is effective or that our internal control over financial reporting will be effective. In the event that we are unable to maintain compliance with Section 404 of the Sarbanes-Oxley Act and related rules, we and the market price of our securities would be adversely affected.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends and other distributions.

Our business depends on the communications and information systems of GC Advisors and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn,

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could have a material adverse effect on our operating results and negatively affect the market price of our securities and our ability to pay dividends and other distributions to our securityholders.

Lawrence E. Golub and David B. Golub have substantial influence over us.

As of September 30, 2012, Lawrence E. Golub and David B. Golub beneficially owned, in the aggregate, approximately 28.5% and 28.2%, respectively, of our outstanding common stock, primarily as a result of their control of Golub Capital LLC, the investment adviser to Golub Capital Company IV, LLC, Golub Capital Company V LLC, Golub Capital Company VI LLC (collectively, the Capital Companies) and GEMS Fund L.P., or GEMS, a limited partnership affiliated with GC Advisors. As a result, these individuals, acting together, may have the ability to affect the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets, and may cause actions to be taken that you may not agree with or that are not in your interests or those of other securityholders.

This concentration of ownership also might harm the market price of our securities by:

- delaying, deferring or preventing a change in corporate control;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Risks Related to Our Investments

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies are susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower s business or exercise control over a borrower. It is possible that we could become subject to a lender s liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors.

Current market conditions have materially and adversely affected debt and equity capital markets in the United States and around the world.

From mid-2007 through 2012, the global capital markets have experienced a period of disruption resulting in a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market. These events, along with the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of major financial institutions in the United States, led to a general

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decline of economic conditions. This economic decline materially and adversely affected the broader financial and credit markets and has reduced the availability of debt and equity capital for the market as a whole and to financial firms, in particular. To the extent that we wish to use debt to fund our investments, the debt capital available to us, if any, may be at a higher cost and on terms and conditions that may be less favorable than what we expect, which could negatively affect our financial performance and results. A prolonged period of market illiquidity may cause us to reduce the volume of loans we originate and/or fund and adversely affect the value of our portfolio investments, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Any deterioration of current market conditions could materially and adversely affect our business.

Our investments in leveraged portfolio companies may be risky, and you could lose all or part of your investment.

Investment in leveraged companies involves a number of significant risks. Leveraged companies in which we invest may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees that we may have obtained in connection with our investment. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position.

Our investments in private and middle-market portfolio companies are risky, and you could lose all or part of your investment.

Investment in private and middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and we expect to rely on the ability of GC Advisors investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, our executive officers, directors and GC Advisors may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

The lack of liquidity in our investments may adversely affect our business.

We may invest all of our assets in illiquid securities, and a substantial portion of our investments in leveraged companies are and will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, GC Advisors, Golub Capital or any of its affiliates have material nonpublic information regarding such portfolio company.

The lack of liquidity in our investments may adversely affect our business.

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Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company s securities to publicly traded securities;
- the enterprise value of the portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company s ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our asset diversification requirements as a RIC under the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our portfolio may be concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

Our portfolio may be concentrated in a limited number of portfolio companies and industries. As a result, the aggregate returns we realize may be significantly and adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.

Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the

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value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor s return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and would be paid out of the debtor s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in seeking to:

increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;
exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
preserve or enhance the value of our investment.

We have discretion to make follow-on investments, subject to the availability of capital resources. Failure on our part to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful portfolio company. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because of regulatory or other considerations. Our ability to make follow-on investments may also be limited by GC Advisors allocation policy.

Because we generally do not hold controlling equity interests in our portfolio companies, we may not be able to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

Although we may do so in the future, we do not currently hold controlling equity positions in our portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

Defaults by our portfolio companies will harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We have invested a portion of our capital in second lien and mezzanine loans issued by our portfolio companies and intend to continue to do so in the future. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By

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their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company s remaining assets, if any.

We have made in the past, and may make in the future, unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in collateral of such companies. Liens on a portfolio company s collateral, if any, will secure the portfolio company s obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors claims against the portfolio company s remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

Our portfolio companies may incur debt that ranks equally with, or senior to,our investments in such companies.

If we make subordinated investments, the obligors or the portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We may make subordinated investments that rank below other obligations of the obligor in right of payment. Subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or in general economic conditions. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations.

The disposition of our investments may result in contingent liabilities.

A significant portion of our investments involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through our return of distributions previously made to us.

GC Advisors liability is limited, and we have agreed to indemnify GC Advisors against certain liabilities, which may lead GC Advisors to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Investment Advisory Agreement and the collateral management agreement, GC Advisors does not assume any responsibility to us other than to render the services called for under that agreement, and it is not responsible for any action of our board of directors in following or declining to follow GC Advisors advice or recommendations. Under the terms of the Investment Advisory Agreement and the collateral management agreement, GC Advisors, its officers, members, personnel, and any person controlling or controlled by GC Advisors are not liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement and the collateral management agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of GC Advisors duties under the Investment Advisory Agreement and the collateral management agreement. In addition, we have agreed to indemnify GC Advisors and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement and the collateral management agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person s duties under the Investment Advisory Agreement and the collateral management agreement. These protections may lead GC Advisors to act in a riskier manner when acting on our behalf than it would when acting for its own account.

We may be subject to risks under hedging transactions and may become subject to risks if we invest in foreign securities.

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company s total assets. In order for our investments to be classified as qualifying assets, among other requirements, such investments must be in issuers organized under the laws of, and which have their principal place of business in, any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the United States.

As of September 30, 2012, we were invested in the securities of one non-U.S. company and may make additional investments. We may in the future invest in non-U.S. companies, including emerging market issuers, to the limited extent such investments are permitted under the 1940 Act. We expect that these investments would focus on the same types of investments that we make in U.S. middle-market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in securities of emerging market issuers involves many risks including economic, social, political, financial, tax and security conditions in the emerging market, potential inflationary economic environments, regulation by foreign governments, different accounting standards and political uncertainties. Economic, social, political, financial, tax and security conditions also could negatively affect the value of emerging market companies. These factors could include changes in the emerging market government s economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities and the possibility of fluctuations in the rate of exchange between currencies.

We have engaged in and, in the future, may engage in hedging transactions to the limited extent such transactions are permitted under the 1940 Act and applicable commodities laws. Engaging in hedging transactions or investing in foreign securities would entail additional risks to our stockholders. We could, for example, use instruments such as interest rate swaps, caps, collars and floors and, if we were to invest in foreign securities, we could use instruments such as forward contracts or currency options and borrow under a credit facility in currencies selected to minimize our foreign currency exposure. In each such case, we generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that we would not be able to enter into a hedging transaction at an acceptable price.

While we may enter into hedging transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations. Our ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the CFTC.

We may not realize gains from our equity investments.

When we invest in one stop, mezzanine and second lien loans, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Risks Relating to Our Common Stock

Investing in our common stock may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

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Shares of closed-end investment companies, including business development companies, often trade at a discount to their net asset value.

Shares of closed-end investment companies, including business development companies, may trade at a discount from net asset value. This characteristic of closed-end investment companies and business development companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value.

There is a risk that investors in our equity securities may not receive distributions or that our distributions may not grow over time and a portion of our distributions may be a return of capital.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this annual report on Form 10-K. Due to the asset coverage test applicable to us under the 1940 Act as a business development company, we may be limited in our ability to make distributions.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs and business development companies;
- loss of our qualification as a RIC or BDC;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of GC Advisors or any of its affiliates key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

Our stockholders will experience dilution in their ownership percentage if they do not participate in our dividend reinvestment plan.

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that do not participate in our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 150 South Wacker Drive, Suite 800, Chicago, IL 60606 and are provided by GC Service pursuant to the Administration Agreement. We believe that our office facilities are suitable and adequate to our business.

Item 3. Legal Proceedings

Golub Capital BDC, GC Advisors and GC Service are not currently subject to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock began trading on April 15, 2010 and is currently traded on The Nasdaq Global Select Market under the symbol GDBC . The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of net asset value, or NAV, and quarterly distributions per share since September 30, 2010.

Period	NAV[(1)]	Closing Sales Price High	Closing Sales Price Low	Premium of High Sales Price to NAV[(2)]	Premium (Discount) of Low Sales Price to NAV[(2)]	Distributions Declared[(3)]
Fiscal year ended September 30, 2012						
Fourth quarter	$ 14.60	$ 16.00	$ 15.05	9.6 %	3.1 %	$ 0.32
Third quarter	14.58	15.18	14.25	4.1	(2.3)	0.32
Second Quarter	14.69	15.95	14.57	8.6	(0.8)	0.32
First Quarter	14.53	16.00	14.16	10.1	(2.5)	0.32
Fiscal year ended September 30, 2011						
Fourth quarter	14.56	15.81	14.00	8.6	(3.8)	$ 0.32
Third quarter	14.75	16.30	14.40	10.5	(2.4)	0.32
Second Quarter	14.75	17.60	15.78	19.3	7.0	0.32
First Quarter	14.74	17.95	15.44	21.8	4.7	0.31

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of the each period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

(3) Includes a return of capital for U.S. federal income tax purposes of approximately $0.04 per share for the fiscal year ended September 30, 2012.

The last reported price for our common stock on November 27, 2012 was $15.65 per share. As of November 27, 2012, we had 189 stockholders of record.

Sales of Unregistered Securities

On February 5, 2010, GEMS entered into an agreement to purchase 195 limited liability company interests in Golub Capital BDC LLC for cash, resulting in aggregate net cash proceeds to us of $25 million. The cash settlement of this private placement occurred on March 15, 2010. The limited liability company interests held by GEMS were converted into 1,752,048 shares of common stock in the BDC Conversion. In addition, concurrently with the closing of our initial public offering on April 20, 2010, 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 a price of $14.50 per share, resulting in aggregate net cash proceeds to us of approximately $19.2 million. Both of these private placements were conducted in reliance on Rule 506 under Regulation D of the Securities Act.

Distributions

Our distributions, if any, are determined by the board of directors. We elected to be treated as a RIC under Subchapter M of the Code. To maintain RIC qualification, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. In addition, we are subject to ordinary income and capital gain distribution requirements under U.S. federal excise tax rules for each calendar year. If we do not meet the required distributions we will be subject to a 4% nondeductible federal excise tax on the undistributed amount.

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The following table reflects the cash distributions, including dividends and returns of capital per share that we have declared on our common stock since September 30, 2010.

Record Dates	Payment Date	Dividends and Distributions Declared
Fiscal year ended September 30, 2012		
September 13, 2012	September 27, 2012	$ 0.32
June 15, 2012	June 29, 2012	$ 0.32
March 16, 2012	March 29, 2012	$ 0.32
December 19, 2011	December 29, 2011	$ 0.32
Total(1)		$ 1.28
Fiscal year ended September 30, 2011		
September 19, 2011	September 28, 2011	$ 0.32
June 17, 2011	June 29, 2011	$ 0.32
March 18, 2011	March 30, 2011	$ 0.32
December 20, 2010	December 30, 2010	$ 0.31
Total		$ 1.27

(1) Includes a return of capital for tax purposes of approximately $0.04 per share

On November 27, 2012, our board of directors declared a quarterly distribution of $0.32 per share payable on December 28, 2012 to holders of record as of December 14, 2012.

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

Stock Performance Graph

This graph compares the stockholder return on our common stock from April 14, 2010 (initial public offering) to September 30, 2012 with that of the NASDAQ Financial Stock Index and the Standard & Poor s 500 Stock Index. This graph assumes that on April 14, 2010, $100 was invested in our common stock, the NASDAQ Financial Stock Index, and the Standard & Poor s 500 Stock Index. The graph also assumes the reinvestment of all cash dividends prior to any tax effect. The graph and other information furnished under this Part II Item 5 of this annual report on Form 10-K shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of, the Exchange Act. The stock price performance included in the below graph is not necessarily indicative of future stock performance.

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Item 6. Selected Financial Data

The following selected consolidated financial data of Golub Capital BDC as of September 30, 2012, 2011, 2010, 2009 and 2008, for the years ended September 30, 2012, 2011, 2010, 2009 and 2008 is derived from the consolidated financial statements that have been audited by McGladrey LLP (formerly McGladrey & Pullen, LLP), independent auditors. For the periods prior to September 30, 2009, the financial data refers to the financial condition and results of operations of our predecessor, GCMF. The financial data should be read in conjunction with our consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Results of Operations and Financial Condition included elsewhere in this Annual Report on Form 10-K.

	Golub Capital BDC[3]			GCMF	
	As of and for the years ended				
	September 30, 2012	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008
	(In thousands, except per share data)				
Statement of Operations Data:					
Total investment income	$57,859	$39,150	$33,150	$33,338	$20,686
Base management fee	8,495	5,789	3,328	2,849	1,726
Incentive fee	6,228	348	55		
All other expenses	15,260	10,197	6,400	5,011	8,916
Net investment income	27,876	22,816	23,367	25,478	10,044
Net realized (loss) gain on investments and derivative instruments	(3,372)	2,037	(40)	(3,972)	(4,503)
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	7,256	(3,514)	2,921	(1,489)	(8,957)
Net increase/(decrease) in net assets resulting from operations	31,760	21,339	26,248	20,017	(3,416)
Per share data:					
Net asset value	$14.60	$14.56	$14.71	N/A [1]	N/A [1]
Net investment income	1.15	1.16	N/A [1]	N/A [1]	N/A [1]
Net realized (loss) gain on investments and derivative instruments	(0.14)	0.10	N/A [1]	N/A [1]	N/A [1]
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	0.30	(0.18)	N/A [1]	N/A [1]	N/A [1]
Net increase/(decrease) in net assets resulting from operations	1.31	1.09	N/A [1]	N/A [1]	N/A [1]
Per share dividends declared	1.28	1.27	0.55	N/A [1]	N/A [1]
Dollar amount of dividends declared	31,556	25,069	9,742	N/A	N/A
Balance Sheet data at period end:					
Investments, at fair value	$672,910	$459,827	$344,869	$376,294	$135,476

Cash and cash equivalents	50,927	69,766	92,990	30,614	4,252
Other assets	10,259	30,051	4,904	2,214	1,213
Total assets	734,096	559,644	442,763	409,122	140,941
Total debt	352,300	237,683	174,000	315,306	123,083
Total liabilities	358,967	243,095	182,222	316,370	124,088
Total net assets	375,129	316,549	260,541	92,752	16,853

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	Golub Capital BDC(3)			GCMF	
	As of and for the years ended				
	September 30, 2012	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008
	(In thousands, except per share data)				
Other data:					
Weighted average annualized yield on income producing investments at fair value(2)	9.28%	8.64 %	8.40 %	8.05%	9.33 %
Number of portfolio companies at period end	121	103	94	95	60

(1) Per share data are not provided as we did not have shares of common stock outstanding or an equivalent prior to the initial public offering on April 14, 2010.

(2) Weighted average yield on income producing investments is computed by dividing (a) annualized interest income (other than interest income resulting from amortization of fees and discounts) on accruing loans and debt securities by (b) total income producing investments at fair value.

(3) Includes the financial information of GCMF for the period prior to the BDC Conversion.

Item 7. 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 audited consolidated financial statements and related notes thereto appearing elsewhere in this annual report on Form 10-K. For periods prior to April 13, 2010, the consolidated financial statements and related notes reflect the performance of Golub Capital BDC LLC and its predecessor and wholly owned subsidiary, GCMF, which was formed on June 6, 2007.

Forward-Looking Statements

Some of the statements in this annual report on Form 10-K constitute forward-looking statements, which relate to future events or our performance or financial condition. The forward-looking statements contained in this annual report on Form 10-K 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 GC Advisors and other affiliates of 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 Dodd-Frank and the rules and regulations issued thereunder; and

the effect of changes to tax legislation and our tax position.

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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, anticipa or similar words. The forward looking statements contained in this annual report on Form 10-K involve risks and uncertainties. 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 annual report on Form-10K.

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 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.

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 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. As a business development company and a RIC, we are also subject to certain constraints, including limitations imposed by the 1940 Act and 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, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), second lien and 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) loans and warrants and equity securities 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 $7.0 billion in capital under management, (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 of which a majority of the members are independent of us.

Under 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 the Administration Agreement with 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, one stop, second lien and mezzanine 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 September 30, 2012, our portfolio at fair value was comprised of 40.7% senior secured loans, 39.5% one stop loans, 6.6% second lien loans, 10.0% mezzanine loans and 3.2% equity. As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% one stop loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity.

As of September 30, 2012, 2011 and 2010, we had debt and equity investments in 121, 103 and 94 portfolio companies, respectively. For the years ended September 30, 2012, 2011 and 2010, our income producing assets had a weighted average interest income (which excludes income resulting from amortization of fees and discounts) yield of 9.3%, 8.6% and 8.4% and a weighted average investment income (which includes interest income and amortization of fees and discounts) yield of 10.2%, 9.9% and 10.9%, 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, one stop, second lien or mezzanine 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 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 on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the cost basis of the investment or derivative instrument, without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments and derivative instruments 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.

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;

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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;
all costs of registration and listing our shares on any securities exchange;
U.S. federal, state and local taxes;
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;
costs associated with Sarbanes-Oxley Act compliance;
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 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. We believe that these administrative expenses approximate the amount of ongoing fees and expenses that we would be required to pay in connection with a traditional secured credit facility. Our common stockholders indirectly bear all of these expenses.

Recent Developments

On October 16, 2012, we priced a public offering of 2,600,000 shares of our common stock at a public offering price of $15.58 per share, raising approximately $40.5 million in gross proceeds. Wells Fargo Securities, LLC and UBS Securities LLC acted as joint book-running managers for the offering. On October 19, 2012, the transaction closed, the shares were issued, and proceeds, net of offering costs but before expenses, of $39.4 million were received. On November 14, 2012, we sold an additional 294,120 shares of our common stock at a public offering price of $15.58 per share pursuant to the underwriters partial exercise of the over-allotment option.

On October 30, 2012, Funding entered into an amendment (the Credit Facility Amendment) to the documents governing Funding s Credit Facility with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender. The Credit Facility Amendment is effective as of October 21, 2012. The Credit Facility Amendment, among other things, extended the reinvestment period from October 21, 2012 to October 21, 2013 and extended the stated maturity date from October 21, 2015 to October 20, 2017.

Market Trends

We have identified the following trends that may affect our business:

Target Market. We believe that small and middle-market companies in the United States with annual revenues between $10 million and $2.5 billion represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have generated a significant number of investment opportunities for investment funds managed or advised by Golub Capital, and we believe that this market segment will continue to produce significant investment opportunities for us.

Specialized Lending Requirements. We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on the experience of our management team, lending to U.S. middle-market companies (1) is generally more labor intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (2) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (3) may also require more extensive ongoing monitoring by the lender.

Demand for Debt Capital. We believe there is a large pool of uninvested private equity capital for middle-market companies. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources, such as us.

Competition from Bank Lenders We believe that many traditional bank lenders, in recent years, de-emphasized their service and product offerings to middle market businesses in favor of lending to large corporate clients and managing capital market transactions. In addition, many commercial banks face significant balance sheet constraints as they seek to build capital and meet future regulatory capital requirements. These factors may result in opportunities for alternative funding sources to middle market companies and therefore drive increased new investment opportunities for us.

Pricing and Deal Structures. We believe that the volatility in global markets over the last several years and current macroeconomic issues such as a weakened U.S. economy has reduced access to, and availability of, debt capital to middle-market companies, causing a reduction in competition and generally more favorable capital structures and deal terms. We believe these market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

Consolidated Results of Operations

The consolidated results of operations set forth below include historical financial information of our predecessor, GCMF, prior to our election, effective April 13, 2010, to become a business development company and our election to be treated as a RIC. As a business development company and a RIC, we are also

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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. For these and other reasons, the results of operations for the years ended September 30, 2012, 2011 and 2010 described below may not be indicative of the results we report in future periods.

Consolidated operating results for the years ended September 30, 2012, 2011 and 2010 are as follows:

	For the years ended September 30,			Variances	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	(In thousands)				
Interest income	$52,393	$34,076	$25,496	$18,317	$8,580
Income from amortization of discounts and origination fees	5,089	5,074	7,654	15	(2,580)
Dividend income	377			377	
Total investment income	57,859	39,150	33,150	18,709	6,000
Total expenses	29,983	16,334	9,783	13,649	6,551
Net investment income	27,876	22,816	23,367	5,060	(551)
Net realized (losses) gains on investments and derivative instruments	(3,372)	2,037	(40)	(5,409)	2,077
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	7,256	(3,514)	2,921	10,770	(6,435)
Net income	$31,760	$21,339	$26,248	$10,421	$(4,909)
Average earning portfolio company investments, at fair value	$564,323	$406,881	$307,552	$157,442	$99,329
Average debt outstanding	$306,969	$201,294	$213,793	$105,675	$(12,499)

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

Investment Income

Investment income increased from 2011 to 2012 by $18.7 million as a result of an increase in the average earning investment balance, which is the annual average balance of accruing loans in our investment portfolio, of $157.4 million as well as an increase in the weighted average investment income (which includes interest income and amortization of fees and discounts) yield of 0.3%. Investment income increased from 2010 to 2011 by $6.0 million as a result of an increase in the average earning investment balance of $99.3 million, which was partially offset by a decrease in the weighted average investment income (which includes interest income and amortization of fees and discounts) yield of 1.0%.

The increase in the yield from 2011 to 2012 was driven primarily by the change in asset mix of our portfolio. Higher yielding second lien and one stop investments increased from 43.5% of the portfolio as of September 30, 2011 to 46.1% of the portfolio as of September 30, 2012. The decrease in the yield from 2010 to 2011 was driven by a decrease in income from amortization of discounts and origination fees of $2.6 million due to higher repayment activity in 2010 than 2011.

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The interest income yield (which excludes income resulting from amortization of fees and discounts) by security type for the years ended September 30, 2012, 2011 and 2010 was as follows:

	For the years ended September 30,		
	2012	2011	2010
Senior secured	7.1 %	7.1 %	7.3 %
One stop	9.4 %	9.2 %	9.2 %
Second lien(1)	11.0 %	12.0 %	11.5 %
Subordinated debt	14.0 %	13.0 %	14.2 %

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

Interest rate yields on senior secured, one stop, second lien and fixed rate subordinated debt remained relatively consistent as pricing on new originations remained relatively consistent over the last three years. For additional details on investment yields and asset mix, refer to the *Liquidity and Capital Resources Portfolio Composition, Investment Activity and Yield* section below.

Expenses

The following table summarizes our expenses:

	For the years ended September 30,			Variances	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	(In thousands)				
Interest and other debt financing expenses	$ 10,781	$ 6,550	$ 3,525	$ 4,231	$ 3,025
Base management fee	8,495	5,789	3,328	2,706	2,461
Incentive fee	6,228	348	55	5,880	293
Professional fees	2,231	2,204	1,838	27	366
Administrative service fee	1,713	837	583	876	254
General and administrative expenses	535	606	454	(71)	152
Total expenses	$ 29,983	$ 16,334	$ 9,783	$ 13,649	$ 6,551

Interest and debt financing expenses increased from the year ended September 30, 2011 to the year ended September 30, 2012 primarily due to an increase in the weighted average of outstanding borrowings from $201.3 million for the year ended September 30, 2011 to $307.0 million for the year ended September 30, 2012. In addition to the $174.0 million of borrowings under the Debt Securitization that was outstanding for the years ended September 30, 2012 and 2011, we increased our use of debt through GC SBIC IV, L.P. and the Credit Facility, which had outstanding balances of $123.5 million and $54.8 million, respectively, as of September 30, 2012 and outstanding balances of $61.3 million and $2.4 million, respectively, as of September 30, 2011. To a lesser extent, the increase in interest expense was also caused by an increase in the effective average interest rate on our outstanding debt from 3.3% for the year ended September 30, 2011 to 3.5% for the year ended September 30, 2012.

Interest and debt financing expenses increased from the year ended September 30, 2010 to the year ended September 30, 2011 primarily due to an increase in the effective average interest rate on our outstanding debt from 1.7% for the year ended September 30, 2010 to 3.3% for the year ended September 30, 2011. Average debt outstanding was relatively consistent from $213.8 million at September 30, 2010 to $201.3 million at September 30, 2011.

The base management fee increased as a result of a sequential increase in average assets and average investments from 2010 to 2012. The administrative service expense increased from 2010 to 2012 due to an increase in costs associated with servicing a growing investment portfolio. In addition, as permitted under the Administration Agreement, beginning January 1, 2012, an allocable portion of the cost of our chief compliance officer and chief financial officer and their respective staffs were charged to us, which was also partially related to the increase in the administrative service fee from the year ended September 30, 2011 to the year ended September 30, 2012. These costs are permitted to be charged under the terms of the Administration Agreement but were previously being waived by GC Service.

The incentive fee increased by $0.3 million and $5.9 million from the years ended September 30, 2010 and September 30, 2011 to the years ended September 30, 2011 and 2012, respectively. Incentive fee expense for the years ended September 30, 2011 and 2010 was relatively small as our Pre-Incentive Fee Net Investment

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Income did not exceed or only marginally exceeded the hurdle rate as defined in the Investment Advisory Agreement. Incentive fee expense increased in the year ended September 30, 2012 as our Pre-Incentive Fee Net Investment Income was well in excess of the hurdle rate. The increase in Pre-Incentive Fee Net Investment Income over the hurdle rate was caused by an increase in the average yield of investments in the portfolio.

As described in the Net Realized and Unrealized Gains and Losses section below, we entered into the total return swap, or the TRS, with Citibank, N.A., or Citibank, for the purpose of gaining economic exposure to a portfolio of broadly syndicated loans. We subsequently terminated the TRS on April 11, 2012. For the periods ending September 30, 2011 and prior, we had included interest spread payments, which represent the difference between the interest and fees received on the referenced assets underlying the TRS and the interest paid to Citibank on the settled notional value of the TRS, from the TRS in the capital gains component of the incentive fee calculation as this is consistent with generally accepted accounting principles in the United States of America, or GAAP, which records such payments in net realized gains/(losses) on derivative instruments in the consolidated statement of operations. However, we changed our methodology in the first fiscal quarter of fiscal year 2012 pursuant to discussions with the staff, or the Staff, of the SEC, resulting in the TRS interest spread payments being included in the income component of the incentive fee calculation.

For the year ended September 30, 2012, we received interest spread payments from the TRS of $2.6 million. For the three months ended December 31, 2011, including the interest spread payments from the TRS in the income component of the incentive fee calculation caused an increase in the incentive fee by $0.6 million. Upon reviewing the incentive fee calculation and the treatment of the interest spread payments from the TRS, GC Advisors irrevocably waived the incremental portion of the incentive fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the year ended September 30, 2012, after taking into account the waiver by GC Advisors, the incentive fee was $6.2 million, rather than $6.8 million. The incentive fee for the years ended September 30, 2011 and 2010 was $0.3 million and $0.1 million, respectively.

Golub Capital Incorporated pays for certain expenses incurred by us. These expenses are subsequently reimbursed in cash. Total expenses reimbursed by us to Golub Capital Incorporated for the years ended September 30, 2012, 2011 and 2010 were $0.5 million, $0.3 million and $0.6 million, respectively. Of these amounts, during the years ended September 30, 2012, 2011 and 2010, zero, zero and $0.2 million were reimbursed via a members equity contribution, respectively.

As of September 30, 2012 and 2011, included in accounts payable and accrued expenses were $40,000 and $0.1 million, respectively, for accrued expenses paid on behalf of us by Golub Capital Incorporated.

Net Realized and Unrealized Gains and Losses

The following table summarizes our net realized and unrealized gains (losses) for the periods presented:

	For the years ended September 30,			Variances	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
	(In thousands)				
Net realized (loss) gain on investments	$(5,467)	$1,997	$(40)	$(7,464)	$2,037
Net realized gain on TRS	3,854	40		3,814	40

Net realized (loss) on financial futures contracts	(1,759)			(1,759)	
Net realized (loss) gain	(3,372)	2,037	(40)	(5,409)	2,077
Unrealized (depreciation) on investments	(10,362)	(8,748)	(8,150)	(1,614)	(598)
Unrealized appreciation on investments	15,632	7,220	11,071	8,412	(3,851)
Unrealized appreciation (depreciation) on TRS	1,845	(1,845)		3,690	(1,845)
Unrealized appreciation (depreciation) on financial futures contracts	141	(141)		282	(141)
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	$7,256	$(3,514)	$2,921	$10,770	$(6,435)

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For the year ended September 30, 2012, we had $15.6 million in unrealized appreciation on 70 portfolio company investments, which was partially offset by $10.4 million in unrealized depreciation on 74 portfolio company investments. Unrealized depreciation primarily resulted from the amortization of discounts and negative credit related adjustments which caused a reduction in fair value. Unrealized appreciation during the year ended September 30, 2012 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. We also had $5.5 million in realized losses on investments during the year ended September 30, 2012 primarily as a result of the sale of two non-accrual investments.

For the year ended September 30, 2011, we had $8.7 million in unrealized depreciation on 76 portfolio company investments, which was partially offset by $7.2 million in unrealized appreciation on 62 portfolio company investments. Unrealized depreciation primarily resulted from the amortization of discounts and negative credit related adjustments which caused a reduction in fair value. Unrealized appreciation during the year ended September 30, 2011 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation.

For the year ended September 30, 2010, we had $11.1 million in unrealized appreciation on 77 portfolio company investments, which was partially offset by $8.2 million in unrealized depreciation on 34 portfolio company investments. Unrealized appreciation during the year ended September 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 the amortization of discounts and negative credit related adjustments which caused a reduction in fair value.

Termination of the Total Return Swap

On April 11, 2012, we terminated the TRS that we had entered into with 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 referenced by 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.

For the years ended September 30, 2012 and 2011, the change in the fair value of the TRS was $1.8 million and $(1.8) million, respectively. Realized gains on the TRS for the year ended September 30, 2012 were $3.9 million, which consisted of spread interest income of $2.7 million and a realized gain of $1.2 million on the sale of the referenced loans. Realized gains on the TRS for the year ended September 30, 2011 were $40,000, which consisted of spread interest income of $44,000 and a realized loss of $(4,000) on the sale of the referenced loans. As of September 30, 2011, the fair value of the TRS was $(1.8) million comprised of spread interest income of $0.6 million and an unrealized loss on the referenced loans of $(2.4) million.

Cash collateral of $19.9 million that had secured the obligations to Citibank under the TRS was returned to us and was used to fund new middle-market debt and equity investments.

Ten-Year U.S. Treasury Futures Contracts

In September of 2012, we sold our remaining ten-year U.S. Treasury futures contracts. We had entered into the futures contracts to mitigate our exposure to adverse fluctuation in interest rates related to our SBA debentures. The cash collateral underlying the futures contracts was returned to us.

Based on the daily fluctuation of the fair value of the futures contracts, we recorded an unrealized gain or loss equal to the daily fluctuation in fair value. Upon maturity or settlement of the futures contracts, we realized a gain or loss based on the difference of the fair value of the futures contracts at inception and the fair value of the futures contracts at settlement or maturity.

For the years ended September 30, 2012 and 2011, the realized loss on settlement of futures contracts was $(1.8) million and zero, respectively, and the change in unrealized appreciation (depreciation) related to the futures contracts was $0.1 million and $(0.1) million, respectively.

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Liquidity and Capital Resources

For the year ended September 30, 2012, we experienced a net decrease in cash and cash equivalents of $32.5 million. During the period we used $158.3 million in operating activities, primarily as a result of fundings of portfolio investments of $395.6 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of $191.5 million, return of cash collateral on deposit with custodian of $21.2 million and net investment income of $27.9 million. During the same period, cash used in investment activities of $13.6 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was $139.4 million, primarily due to net proceeds from the follow-on offering of $57.2 million and borrowings on debt of $178.3 million, partially offset by repayments of debt of $63.7 million and distributions paid of $23.9 million.

For the year ended September 30, 2011, we experienced a net decrease in cash and cash equivalents of $14.9 million. During the period we used $118.1 million in operating activities, primarily as a result of fundings of portfolio investments of $326.3 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of $217.9 million and net investment income of $22.8 million. During the same period, cash provided by investment activities of $8.4 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was $94.9 million, primarily due to net proceeds from the follow-on offering of $59.4 million and borrowings on debt of $63.7 million, partially offset by distributions paid of $23.9 million.

For the year ended September 30, 2010, we experienced a net increase in cash and cash equivalents of $61.2 million. During the period, net cash provided by operating activities was $65.9 million, primarily as a result of principal payments and sales of portfolio investments of $181.9 million and net investment income of $23.4 million, partially offset by fundings of investments of $144.1 million. During the same period, cash used in investment activities of $1.2 million was driven by the change in restricted cash and cash equivalents. Lastly, cash used in financing activities was primarily a result of repayments of debt of $315.3 million offset by borrowing on debt of $174.0 million and proceeds from our initial public offering, net of underwriting costs of $119.0 million.

As of September 30, 2012 and 2011, we had cash and cash equivalents of $13.9 million and $46.4 million, respectively. In addition, we had restricted cash and cash equivalents of $37.0 million and $23.4 million as of September 30, 2012 and 2011, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. As of September 30, 2012, $14.7 million of our restricted cash and cash equivalents could 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. $6.9 million of such restricted cash and cash equivalents was used to fund investments that meet the guidelines under the Credit Facility as well as for the payment of interest expense and revolving debt of the Credit Facility. The remaining $15.4 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 SBIC, 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.

As of September 30, 2012 and September 30, 2011, we had outstanding commitments to fund investments totaling $56.5 million and $49.4 million, respectively. 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 the entire amount was eligible for funding to the borrowers as of September 30, 2012 and 2011, subject to the terms of each loan s respective credit agreement.

As of September 30, 2012 and 2011, subject to leverage and borrowing base restrictions, we had approximately $20.2 million and $72.6 million, respectively, available for additional borrowings on the Credit Facility.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is $225.0 million and the maximum amount that a single SBIC licensee may issue is $150.0 million. An affiliate of GC Advisors manages another SBIC. As of September 30, 2012, the affiliated SBIC licensee had $41.6 million of SBA-guaranteed debentures outstanding, while GC SBIC IV, L.P. had $123.5 million of outstanding SBA-guaranteed debentures, leaving incremental borrowing capacity of $26.5 million for GC SBIC IV L.P. to reach its cap of $150 million of SBA-guaranteed debentures under present SBIC regulations. Unless specifically approved by the SBA, the other licensee was prohibited by the SBA from making certain new investments when GC SBIC IV, L.P. received its license on August 24, 2010. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies.

On February 2, 2012, we received a Green Light letter from the SBA allowing us to proceed with an application for a second SBIC license and we submitted such an application to the SBA on April 19, 2012. On May 18, 2012, we received an Acceptance Letter from the SBA notifying us that the application had been accepted by the SBA for further processing. The application process is anticipated to take six to twelve months. If approved, the additional license will provide us with an incremental source of attractive long-term capital.

In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. On September 13, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage requirement to exclude the SBA debentures from this calculation. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage. As of September 30, 2012, our asset coverage for borrowed amounts was 263.2% (excluding the SBA debentures).

On August 6, 2012, we announced an At the Market, or ATM, program to sell up to $50 million of shares of our common stock over a one-year time period. As of November 27, 2012, no shares had been sold through our ATM program.

On October 16, 2012, we priced a public offering of 2,600,000 shares of our common stock at a public offering price of $15.58 per share, raising approximately $40.5 million in gross proceeds. Wells Fargo Securities, LLC and UBS Securities LLC acted as joint book-running managers for the offering. On October 19, 2012, the transaction closed, the shares were issued, and proceeds, net of offering costs but before expenses, of $39.4 million were received. On November 14, 2012, we sold an additional 294,120 shares of our common stock at a public offering price of $15.58 per share pursuant to the underwriters partial exercise of the over-allotment option.

We expect to have very strong originations and net funds growth for the quarter ended December 31, 2012 due to an increase in M&A and refinancing activity that is primarily being driven by potential tax increases that may go into effect on January 1, 2013. Due to the push to close deals before anticipated tax increases on January 1, 2013, we anticipate new originations will decline considerably for the quarter ended March 31, 2013. We anticipate the majority of new investments made during the quarter ended December 31, 2012 will be in one stop and senior secured investments.

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 and available borrowings as of September 30, 2012 will be sufficient to fund our anticipated requirements through at least September 30, 2013.

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Portfolio Composition, Investment Activity and Yield

As of September 30, 2012 and 2011, we had investments in 121 and 103 portfolio companies, respectively, with a total value of $672.9 million and $459.8 million, respectively. The following table shows the asset mix of our new origination commitments for the years ended September 30, 2012, 2011 and 2010:

	Years ended September 30,					
	2012		2011		2010	
	(In thousands)	Percentage of Commitments	(In thousands)	Percentage of Commitments	(In thousands)	Percentage of Commitments
Senior secured	$175,089	40.9 %	$94,442	26.0 %	$94,932	59.9 %
One stop	171,060	39.9	108,374	29.8	40,862	25.8
Second lien	32,636	7.6	50,204	13.8	5,595	3.5
Subordinated debt	37,490	8.8	104,065	28.6	14,336	9.1
Equity securities	11,931	2.8	6,783	1.8	2,636	1.7
Total new investment commitments	$428,206	100.0 %	$363,868	100.0 %	$158,361	100.0 %

The following table summarizes portfolio composition and investment activity as of and for the years ended September 30, 2012, 2011 and 2010:

	As of and for the years ended September 30,		
	2012	2011	2010
	(in thousands)		
Investments, at fair value	$ 672,910	$ 459,827	$ 344,869
Number of portfolio investments (at period end)	121	103	94
New investment fundings	$ 395,556	$ 326,260	$ 144,098
Principal payments and sales of portfolio investments	$ 191,509	$ 217,884	$ 181,850

The following table shows the par, amortized cost and fair value of our portfolio of investments, excluding derivative instruments, by asset class:

	As of September 30, 2012[(1)]			As of September 30, 2011[(1)]		
	Par	Amortized Cost	Fair Value	Par	Amortized Cost	Fair Value
	(In thousands)					
Senior secured:						
Performing	$ 274,846	$ 270,209	$ 272,461	$ 203,647	$ 201,018	$ 200,940
Non-accrual[(2)]	5,733	5,527	1,528	9,078	8,711	2,891
One stop:						
Performing	267,393	262,876	265,705	178,854	176,393	177,880
Non-accrual[(2)]						
Second lien[(3)]:						
Performing	44,267	42,775	44,108	21,922	21,531	21,922
Non-accrual[(2)]	589	573	259			

Subordinated debt:						
Performing	65,989	65,005	65,989	46,804	45,888	46,804
Non-accrual[2]	2,870	2,810	1,435			
Equity	N/A	20,066	21,425	N/A	9,420	9,390
Total	$ 661,687	$ 669,841	$ 672,910	$ 460,305	$ 462,961	$ 459,827

(1) Fourteen and fourteen of our loans included a feature permitting a portion of the interest due on such loan to be PIK interest as of September 30, 2012 and September 30, 2011, respectively.

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(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 $14.0 million and $12.3 million of loans structured as first lien last out term loans as of September 30, 2012 and September 30, 2011, respectively.

The following table shows the weighted average rate, spread over LIBOR of floating rate, fixed rate and fees of investments originated and the weighted average rate of sales and payoffs of portfolio companies during the years ended September 30, 2012, 2011 and 2010:

	For the years ended September 30,		
	2012	2011	2010
Weighted average rate of new investment fundings[(1)(2)]	8.9 %	8.5 %	7.8 %
Weighted average spread over LIBOR of new floating rate investment fundings[(1)(2)]	7.0 %	6.4 %	6.2 %
Weighted average rate of new fixed rate investment fundings	13.6%	13.6%	14.0 %
Weighted average fees of new investment fundings	2.0 %	1.6 %	1.7 %
Weighted average rate of sales and payoffs of portfolio companies	7.6 %	6.3 %	6.5 %

(1) For the year ended September 30, 2012, we have excluded $20.4 million of broadly syndicated loans held for short term investment purposes. These loans had a weighted average rate of 2.6% and a weighted average spread over LIBOR of 2.2%. Had we included the broadly syndicated loans in these rates, for the year ended September 30, 2012, our weighted average rate of new investments would have been 8.6%, and our weighted average spread over LIBOR would have been 6.7%.

(2) For the year ended September 30, 2011, we have excluded $22.0 million of broadly syndicated loans held for short term investment purposes. These loans had a weighted average rate of 3.9% and a weighted average spread over LIBOR of 3.3%. Had we included the broadly syndicated loans in these rates, for the year ended September 30, 2011, our weighted average rate of new investments would have been 8.1%, and our weighted average spread over LIBOR would have been 5.9%.

For the years ended September 30, 2012, 2011 and 2010, the weighted average interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio was 9.3%, 8.6% and 8.4%, respectively. As of September 30, 2012, 84.4% and 83.7% of our debt portfolio 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, 2011, 78.8% and 79.0% of our portfolio at fair value and at cost, respectively, had interest rate floors that limited minimum interest rates on such loans.

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Contractual Obligations and Off-Balance Sheet Arrangements

A summary of our significant contractual payment obligations as of September 30, 2012 is as follows:

	Payments Due by Period (In millions)				
	Total	Less Than 1 Year	1 3 Years	3 5 Years[1]	More Than 5 Years[1]
Debt Securitization	$ 174.0	$	$	$	$ 174.0
SBA debentures	123.5				123.5
Credit Facility	32.3			32.3	
Unfunded commitments[2]	56.5	56.5			
Total contractual obligations	$ 386.3	$ 56.5	$	$ 32.3	$ 297.5

(1) The notes offered in the Debt Securitization are scheduled to mature on July 20, 2021. The SBA debentures are scheduled to mature between March 2021 and September 2022. The Credit Facility is scheduled to mature on October 21, 2015 as of September 30, 2012. Effective October 21, 2012, the stated maturity date on the Credit Facility was extended to October 20, 2017.

(2) Unfunded commitments represent all amounts unfunded as of September 30, 2012. 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 September 30, 2012.

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 September 30, 2012 and 2011, we had outstanding commitments to fund investments totaling $56.5 million and $49.4 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, 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 and was re-approved by our board of directors on February 2, 2012. Under the Investment Advisory Agreement, GC Advisors provides us with investment advisory and management services. For these services, we pay (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, which was re-approved by our board of directors on February 2, 2012, 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 directors) 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 U.S. federal income 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 meet the annual distribution requirements of the U.S. federal excise tax rules. We intend to make quarterly distributions to our stockholders as determined by our board of directors.

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 U.S. federal income 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. For the year ended September 30, 2012, $1,072, or $0.04 per share, of our distributions to stockholders represented a return of capital.

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.

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 LLC, pursuant to which Golub Capital LLC has granted us a non-exclusive, royalty-free license to use the name Golub Capital.
Under the Staffing Agreement, 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.

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In our common stock offering that closed on February 3, 2012, Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, purchased an aggregate of $3.1 million of shares at the public offering price per share. In addition, in the same offering, Mr. William M. Webster IV, one of our directors, purchased 15,000 shares at the public offering price per share, and Mr. John T. Baily, one of our directors, purchased $75,000 of shares at the public offering price per share. The same trust also invested $3.2 million through open market purchases during our fiscal year ended September 30, 2012. In our common stock offering that closed on October 19, 2012, the same trust purchased an aggregate of $3.0 million of shares at the public offering price per share. In addition, in the same offering, Mr. William M. Webster IV purchased 10,000 shares at the public offering price per share.

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 DGCL.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with 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 Portfolio 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 of directors 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.

Our board of directors 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 of directors undertakes a multi-step valuation process each quarter, as described below:

Our quarterly valuation process begins with each portfolio company investment being initially valued by the investment professionals of GC Advisors responsible for credit monitoring.

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Preliminary valuation conclusions are then documented and discussed with our senior management and GC Advisors. The audit committee of our board of directors reviews these preliminary valuations.
At least once annually, the valuation for each portfolio investment is reviewed by an independent valuation firm.
The board of directors 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. Under current auditing standards, the notes to our consolidated 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 Topic 820, *Fair Value Measurements and Disclosures*, as amended, 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 assets or liabilities or market and the assets or liabilities complexity. Our fair value analysis includes an analysis of the value of any unfunded loan commitments. Assets and liabilities 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 asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

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

Level 3: Inputs include significant unobservable inputs for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. 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 asset s or a liability s categorization 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 asset or liability. We assess the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfers. There were no transfers among Level 1, 2 and 3 of the fair value hierarchy for investments during the years ended September 30, 2012, 2011 and 2010. The following section describes the valuation techniques used by us to measure different assets and liabilities at fair value and includes the level within the fair value hierarchy in which the assets and liabilities are categorized.

Level 1 assets and liabilities are valued using quoted market prices. Level 2 assets and liabilities are valued using market consensus prices that are corroborated by observable market data and quoted market prices for

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similar assets and liabilities. Level 3 assets and liabilities are valued at fair value as determined in good faith by our board of directors, based on input of management, the audit committee and independent valuation firms that have been engaged at the direction of our board of directors 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 debt and equity securities without readily available market quotations subject to review by an independent valuation firm. All assets and liabilities as of September 30, 2012 and 2011 were valued using Level 3 inputs of the fair value hierarchy.

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 valuable 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, and 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 our 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 uses the midpoint of the bid/ask range as our best estimate of fair value of such investment.

Fair value of our debt is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if available.

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

Our investments, borrowings and derivatives are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments, borrowings and derivatives are traded.

Revenue Recognition:

Our revenue recognition policies are as follows:

Investments and Related Investment Income: Our board of directors 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. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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 from the prior period 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.

We record the fair value of the futures contracts based on the unrealized gain or loss of the reference securities of the futures contracts. Upon maturity or settlement of the futures contracts, we will realize a gain or loss based on the difference of the fair value of the futures contracts at inception and the fair value of the futures contracts at settlement or expiration. This gain or loss would be included on the consolidated statements of operations as net realized gain (loss) on derivative instruments.

We recorded the fair value of our investment in the TRS based on the unrealized gain or loss of the reference securities of the TRS. For GAAP purposes, realized gains and losses on the TRS were composed of any gains or losses on the referenced portfolio of loans as well as the net interest received or owed at the time of the quarterly settlement. For GAAP purposes, unrealized gains and losses on the TRS were 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 referenced portfolio of loans.

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 was $3.2 million and $2.9 million as of September 30, 2012 and 2011, 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 retain taxable income in excess of current year distributions into the next tax year in an amount less than what would trigger payments of federal income tax under Subchapter M of the Code. We would then pay a 4% excise tax on such income, as required. To the extent that we determine that our estimated current year annual taxable income may exceed 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.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the period covered by our predecessor s financial statements, many of the loans in our portfolio had floating interest rates, and we expect that our loans in the future may 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 Class A Notes issued as a part of the Debt Securitization have a floating interest rate provision based on 3-month LIBOR that resets quarterly and the Credit Facility has a floating interest rate provision based on 1-month LIBOR that resets daily, and we expect that other credit facilities into which we enter in the future may have floating interest rate provisions.

Assuming that the consolidated statement of financial condition as of September 30, 2012 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates	Increase (decrease) in interest income	Increase (decrease) in interest expense	Net increase (decrease) in investment income
	(in thousands)		
Down 25 basis points	$ (92)	$ (572)	$ 480
Up 100 basis points	585	2,288	(1,703)
Up 200 basis points	5,567	4,576	991
Up 300 basis points	11,347	6,864	4,483

Although we believe 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 borrowing under the Debt Securitization or other 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 analysis above.

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts to the extent permitted under the 1940 Act and applicable commodities laws. 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 8. Consolidated Financial Statements and Supplementary Data

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Management s Report on Internal Control over Financial Reporting

The management of Golub Capital BDC, Inc. (GBDC, and collectively with its subsidiaries, the Company, we, us, and Golub Capital BDC) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is a process designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

Golub Capital BDC s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions recorded necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Our policies and procedures also provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Golub Capital BDC, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness as to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Golub Capital BDC s internal control over financial reporting as of September 30, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework*. Based on the assessment, management believes that, as of September 30, 2012, our internal control over financial reporting is effective based on those criteria.

Golub Capital BDC s independent registered public accounting firm that audited the financial statements has issued an audit report on the effectiveness of our internal control over financial reporting as of September 30, 2012. This report appears on page 79.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Golub Capital BDC, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of financial condition, including the consolidated schedules of investments, of Golub Capital BDC, Inc. and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended September 30, 2012. We also have audited Golub Capital BDC, Inc.'s internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Golub Capital BDC, Inc.'s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our procedures included confirmation of investments owned as of September 30, 2012 and 2011, by correspondence with the custodian, loan agent or borrower. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golub Capital BDC, Inc. and subsidiaries as of September 30, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Golub Capital BDC, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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As explained in Note 5, the consolidated financial statements include investments valued at approximately $672,910,000 (179.4% of net assets) and approximately $459,827,000 (145.2% of net assets) as of September 30, 2012 and 2011, respectively, whose fair values have been estimated by management in the absence of readily ascertainable fair values.

/s/ McGladrey LLP

Chicago, Illinois
November 29, 2012

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Statements of Financial Condition
(In thousands, except share and per share data)

	September 30, 2012	September 30, 2011
Assets		
Investments, at fair value (cost of $669,841 and $462,961, respectively)	$ 672,910	$ 459,827
Cash and cash equivalents	13,891	46,350
Restricted cash and cash equivalents	37,036	23,416
Interest receivable	3,906	3,063
Cash collateral on deposit with custodian		21,162
Deferred financing costs	5,898	5,345
Other assets	455	481
Total Assets	$ 734,096	$ 559,644
Liabilities		
Debt	$ 352,300	$ 237,683
Interest payable	1,391	1,066
Management and incentive fees payable	4,203	1,608
Unrealized depreciation on derivative instruments		1,986
Accounts payable and accrued expenses	1,073	752
Total Liabilities	358,967	243,095
Net Assets		
Preferred stock, par value $0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of September 30, 2012 and 2011		
Common stock, par value $0.001 per share, 100,000,000 shares authorized, 25,688,101 and 21,733,903 shares issued and outstanding as of September 30, 2012 and 2011, respectively	26	22
Paid in capital in excess of par	375,563	318,302
Capital distributions in excess of net investment income	347	(398)
Net unrealized appreciation (depreciation) on investments and derivative instruments	5,737	(1,519)
Net realized (loss) gain on investments and derivative instruments, net of dividends and distributions	(6,544)	142
Total Net Assets	375,129	316,549
Total Liabilities and Total Net Assets	$ 734,096	$ 559,644
Number of common shares outstanding	25,688,101	21,733,903
Net asset value per common share	$ 14.60	$ 14.56

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Statements of Operations
(In thousands, except share and per share data)

	Years ended September 30, 2012	2011	2010
Investment income			
Interest income	$57,482	$39,150	$33,150
Dividend income	377		
Total investment income	57,859	39,150	33,150
Expenses			
Interest and other debt financing expenses	10,781	6,550	3,525
Base management fee	8,495	5,789	3,328
Incentive fee	6,228	348	55
Professional fees relating to registration statement			788
Professional fees	2,231	2,204	1,050
Administrative service fee	1,713	837	583
General and administrative expenses	535	606	454
Total expenses	29,983	16,334	9,783
Net investment income	27,876	22,816	23,367
Net gain (loss) on investments			
Net realized (loss) gain on investments	(5,467)	1,997	(40)
Net realized gain on derivative instruments	2,095	40	
Net change in unrealized appreciation (depreciation) on investments	5,270	(1,528)	2,921
Net change in unrealized appreciation (depreciation) on derivative instruments	1,986	(1,986)	
Net gain (loss) on investments	3,884	(1,477)	2,881
Net increase in net assets resulting from operations	$31,760	$21,339	$26,248
Per Common Share Data			
Basic and diluted earnings per common share(1)	$1.31	$1.09	N/A
Dividends and distributions declared per common share(1)	$1.28	$1.27	N/A
Basic and diluted weighted average common shares outstanding(1)	24,271,251	19,631,797	N/A

(1) For historical periods that include financial results prior to April 1, 2010, the Company did not have common shares outstanding or an equivalent and, therefore, earnings per share, dividends and distributions declared per common share and weighted average shares outstanding information for periods that include financial results prior to April 1, 2010 are not provided. Earnings per share for the two fiscal quarters subsequent to April 1, 2010 are included in Note 15. Selected Quarterly Financial Data (unaudited).

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets
(In thousands, except share data)

(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.

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(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.

(3) On March 31, 2011, Golub Capital BDC, Inc. priced a public offering of 3,500,000 shares of its common stock at a public offering price of $15.75 per share. On May 2, 2011, Golub Capital BDC, Inc. 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.

(4) On January 31, 2012, Golub Capital BDC, Inc. priced a public offering of 3,500,000 shares of its common stock at a public offering price of $15.35 per share. On March 1, 2012, Golub Capital BDC, Inc. sold an additional 325,000 shares of its common stock at a public offering price of $15.35 per share pursuant to the underwriters partial exercise of the over-allotment option.

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In thousands)

	Years Ended September 30,		
	2012	2011	2010
Cash flows from operating activities			
Net increase in net assets resulting from operations	$31,760	$21,339	$26,248
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	1,455	848	134
Accretion of discounts and amortization of premiums	(5,089)	(5,074)	(7,654)
Net realized loss (gain) on investments	5,467	(1,997)	40
Net realized gain on derivative instruments	(2,095)	(40)	
Net change in unrealized (appreciation) depreciation on investments	(5,270)	1,528	(2,921)
Net change in unrealized (appreciation) depreciation on derivative instruments	(1,986)	1,986	
(Fundings of) revolving loans, net	(3,228)	(278)	4,795
Fundings of investments	(395,556)	(326,260)	(144,098)
Proceeds from principal payments and sales of portfolio investments	191,509	217,884	181,850
Proceeds from derivative instruments	2,095	40	
PIK interest	(914)	(759)	(587)
Changes in operating assets and liabilities:			
Interest receivable	(843)	(1,107)	242
Cash collateral on deposit with custodian	21,162	(21,162)	
Other assets	26	(281)	(185)
Interest payable	325	(101)	1,037
Management and incentive fees payable	2,595	600	759
Payable for investments purchased		(5,328)	5,328
Accounts payable and accrued expenses	321	33	930
Net cash (used in) provided by operating activities	(158,266)	(118,129)	65,918
Cash flows from investing activities			
Net change in restricted cash and cash equivalents	(13,620)	8,355	(1,157)
Net cash (used in) provided by investing activities	(13,620)	8,355	(1,157)
Cash flows from financing activities			
Borrowings on debt	178,317	63,683	174,000
Repayments of debt	(63,700)		(315,306)
Capitalized debt financing costs	(2,010)	(3,448)	(2,882)
Proceeds from members' equity contributions			46,313

Payments of members' equity distributions			(13,530)
Proceeds from shares sold, net of underwriting costs	57,164	59,420	119,034
Offering costs paid	(696)	(810)	(1,429)
Dividends and distributions paid	(29,648)	(23,940)	(9,742)
Net cash provided by (used in) financing activities	139,427	94,905	(3,542)
Net change in cash and cash equivalents	(32,459)	(14,869)	61,219
Cash and cash equivalents, beginning of period	46,350	61,219	
Cash and cash equivalents, end of period	$13,891	$46,350	$61,219
Supplemental information:			
Cash paid during the period for interest	$9,001	$5,803	$2,355
Obligations of Company paid by members of Golub Capital BDC LLC			896
Dividends and distributions declared during the period	(31,556)	(25,069)	(9,742)

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries Consolidated Statements of Cash Flows (In thousands) 162

Golub Capital BDC, Inc. and Subsidiaries

Consolidated Schedule of Investments
September 30, 2012
(In thousands)

	Investment Type	Spread Above Index[1]	Interest Rate[2]	Maturity Date	Principal Amount	Cost	Percentage of Net Assets	Fair Value
Investments								
Canada								
Debt investments								
Leisure, Amusement, Motion Pictures, Entertainment								
Extreme Fitness, Inc.[3][4]	Subordinated debt	N/A	14.50 %	11/2015	$ 2,870	$ 2,810	0.4 %	$ 1,435
Extreme Fitness, Inc.	Senior loan	N/A	8.00 %	10/2012	508	508	0.1	508
Total Canada					$ 3,378	$ 3,318	0.5 %	$ 1,943
Fair Value as percentage of Principal Amount								57.5 %
United States								
Debt investments								
Aerospace and Defense								
ILC Dover, LP[5]	Senior loan	L + 6.00 %	N/A [6]	07/2017	$	$ (8)	%	$ (8)
ILC Dover, LP	Senior loan	L + 6.00 %	7.25 %	07/2017	4,407	4,323	1.2	4,319
Whitcraft LLC	Subordinated debt	N/A	12.00 %	12/2018	1,877	1,848	0.5	1,877
White Oak Technologies, Inc.*	Senior loan	L + 5.00 %	6.25 %	03/2017	1,929	1,891	0.5	1,890
White Oak Technologies, Inc.[5]	Senior loan	L + 5.00 %	N/A [6]	03/2017		(9)		(9)
					8,213	8,045	2.2	8,069
Automobile								
ABRA, Inc.[5]	Subordinated debt	N/A	N/A [6]	04/2017		(22)		
ABRA, Inc.[4]	Subordinated debt	N/A	13.50 %	04/2017	9,623	9,445	2.6	9,623
	Senior loan	%	7.00 %	01/2016	2,862	2,814	0.7	2,776

American Driveline Systems, Inc.*		L + 5.50						
American Driveline Systems, Inc.	Senior loan	P + 4.50 %	7.75 %	01/2016	293	287	0.1	282
CLP Auto Interior Corporation*	Senior loan	L + 4.75 %	4.97 %	06/2013	3,053	3,053	0.8	2,992
Federal-Mogul Corporation	Senior loan	L + 1.94 %	2.17 %	12/2014	1,976	1,934	0.5	1,930
Federal-Mogul Corporation	Senior loan	L + 1.94 %	2.16 %	12/2015	1,008	986	0.3	985
K&N Engineering, Inc.[5]	Senior loan	P + 4.25 %	N/A [6]	12/2016		(6)		
K&N Engineering, Inc.	Senior loan	P + 4.25 %	7.50 %	12/2016	3,207	3,153	0.9	3,207
					22,022	21,644	5.9	21,795
Banking								
Prommis Fin Co.*[3][4]	Senior loan	L + 10.50 %	10.50 %	06/2015	196	191		167
Prommis Fin Co.*[3][4]	Second lien	L + 10.50 %	10.50 %	06/2015	393	382	0.1	259
Prommis Fin Co.*[3][4]	Second lien	L + 10.50 %	10.50 %	06/2015	196	191		
Prommis Fin Co.	Senior loan	L + 9.00 %	10.00 %	06/2015	95	93		95
					880	857	0.1	521

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries Consolidated Schedule of Investments September 30, 2012 (In thousands) 164

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Schedule of Investments (Continued)
September 30, 2012
(In thousands)

	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Beverage, Food and Tobacco								
ABP Corporation(5)	Senior loan	L + 5.25%	N/A (6)	06/2016		(6)		
ABP Corporation*	Senior loan	L + 5.25%	6.75%	06/2016	4,536	4,470	1.2	4,536
Ameriqual Group, LLC*	Senior loan	L + 5.00%	6.50%	03/2016	1,774	1,749	0.4	1,685
Ameriqual Group, LLC*	Senior loan	L + 7.50%	9.00%	03/2016	839	828	0.2	755
Atkins Nutrionals, Inc.	Senior loan	L + 8.88%	10.38%	12/2015	5,028	4,926	1.3	5,028
Candy Intermediate Holdings, Inc.	Senior loan	L + 6.25%	7.51%	06/2018	4,987	4,822	1.3	5,050
First Watch Restaurants, Inc.(5)	Senior loan	P + 6.50%	N/A (6)	12/2016		(30)		
First Watch Restaurants, Inc.(5)	Senior loan	P + 6.50%	N/A (6)	12/2016		(30)		
First Watch Restaurants, Inc.*	Senior loan	P + 6.50%	9.75%	12/2016	11,530	11,335	3.1	11,530
IL Fornaio (America) Corporation*	Senior loan	L + 5.25%	6.50%	06/2017	4,423	4,405	1.2	4,423
It'Sugar LLC	Senior loan	L + 8.50%	10.00%	04/2017	4,255	4,178	1.1	4,255
It'Sugar LLC	Subordinated debt	N/A	8.00%	10/2017	1,707	1,707	0.5	1,707
Julio & Sons Company(5)	Senior loan	L + 5.50%	N/A (6)	09/2014		(15)		
Julio & Sons Company*	Senior loan	L + 5.50%	7.00%	09/2016	7,121	7,065	1.9	7,121
Julio & Sons Company(5)	Senior loan	L + 5.50%	N/A (6)	09/2016		(12)		

Richelieu Foods, Inc.*	Senior loan	L + 5.00 %	6.76 %	11/2015	2,111	2,075	0.5	2,048
Richelieu Foods, Inc.(5)	Senior loan	L + 5.00 %	N/A (6)	11/2015		(10)		(18)
					48,311	47,457	12.7	48,120
Broadcasting and Entertainment								
Univision Communications Inc.	Senior loan	L + 2.00 %	2.22 %	09/2014	3,997	3,969	1.1	3,992
Building and Real Estate								
ASP PDM Acquisition Co. LLC*	Senior loan	L + 6.25 %	7.75 %	12/2013	453	442	0.1	340
Global Claims Services, Inc.*	Senior loan	L + 5.00 %	6.25 %	06/2018	831	819	0.2	831
Global Claims Services, Inc.(5)	Senior loan	L + 5.00 %	N/A (6)	06/2018		(1)		
KHKI Acquisition, Inc.	Senior loan	P + 5.00 %	8.50 %	03/2013	2,626	2,625	0.6	2,101
Tecta America Corp.	Senior loan	P + 5.75 %	9.00 %	03/2014	3,506	3,506	0.8	2,994
					7,416	7,391	1.7	6,266
Cargo Transport								
TMW Systems, Inc.*	Senior loan	P + 3.00 %	6.25 %	05/2016	1,686	1,667	0.4	1,686
Chemicals, Plastics and Rubber								
Integrated DNA Technologies, Inc.(4)	Subordinated debt	N/A	14.00%	04/2015	4,700	4,650	1.3	4,700
Road Infrastructure Investment, LLC*	Senior loan	L + 5.00 %	6.25 %	03/2018	4,137	4,080	1.1	4,142
Road Infrastructure Investment, LLC	Senior loan	L + 5.00 %	5.46 %	03/2017	231	190	0.1	228
					9,068	8,920	2.5	9,070
Containers, Packaging and Glass								
Fort Dearborn Company*	Senior loan	L + 4.75 %	6.50 %	08/2015	1,349	1,333	0.4	1,349
Fort Dearborn Company*	Senior loan	L + 5.25 %	7.00 %	08/2016	3,159	3,118	0.8	3,159
					4,508	4,451	1.2	4,508

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	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Diversified Conglomerate Manufacturing								
Oasis Outsourcing Holdings, Inc.(4)	Subordinated debt	N/A	13.00 %	04/2017	11,970	11,775	3.2	11,970
Pasternack Enterprises, Inc.*	Senior loan	L + 4.50 %	6.00 %	02/2014	3,492	3,453	0.9	3,492
Sunless Merger Sub, Inc.*	Senior loan	L + 5.00 %	6.26 %	07/2016	2,322	2,313	0.6	2,322
Sunless Merger Sub, Inc.*	Senior loan	P + 3.75 %	7.00 %	07/2016	29	28		29
Tecomet Inc.*	Senior loan	L + 5.25 %	7.00 %	12/2016	6,082	5,992	1.6	5,991
Tecomet Inc.(5)	Senior loan	L + 5.25 %	N/A (6)	12/2016		(6)		
TIDI Products, LLC*	Senior loan	L + 7.00 %	8.25 %	07/2018	8,791	8,606	2.3	8,703
TIDI Products, LLC(5)	Senior loan	L + 7.00 %	N/A (6)	07/2017		(13)		(8)
Vintage Parts, Inc.*	Senior loan	L + 6.00 %	8.50 %	12/2013	82	82		82
Vintage Parts, Inc.*	Senior loan	L + 8.00 %	9.75 %	12/2013	1,239	1,228	0.3	1,239
Vintage Parts, Inc.*	Senior loan	L + 5.50 %	5.86 %	12/2013	5,934	5,914	1.6	5,934
					39,941	39,372	10.5	39,754
Diversified Conglomerate Service								
API Healthcare Corporation*	Senior loan	L + 9.03 %	10.53 %	02/2017	9,587	9,424	2.6	9,587
Consona Holdings, Inc.*	Senior loan	L + 5.50 %	6.75 %	08/2018	1,092	1,056	0.3	1,081
Consona Holdings, Inc.*	Senior loan	%	7.25 %	08/2018	1,567	1,551	0.4	1,551

		L + 6.00						
Consona Holdings, Inc.[5]	Senior loan	L + 5.50 %	N/A [6]	08/2017		(3)		(2)
Document Technologies, LLC[5]	Senior loan	L + 5.00 %	N/A [6]	12/2016		(15)		
Document Technologies, LLC	Senior loan	L + 5.00 %	6.50 %	12/2016	4,717	4,646	1.3	4,694
EAG, Inc.*	Senior loan	P + 3.50 %	6.75 %	07/2017	2,629	2,593	0.7	2,629
Employment Law Training, Inc.[5]	Senior loan	L + 7.50 %	N/A [6]	12/2016		(22)		
Employment Law Training, Inc.*	Senior loan	L + 7.50 %	9.00 %	12/2016	18,219	17,822	4.9	18,219
Evolution1, Inc.*	Senior loan	L + 4.75 %	6.25 %	06/2016	4,619	4,567	1.2	4,619
Evolution1, Inc.[5]	Senior loan	L + 4.75 %	N/A [6]	06/2016		(19)		
Evolution1, Inc.[5]	Senior loan	L + 4.75 %	N/A [6]	06/2016		(4)		
HighJump Acquisition LLC[5]	Senior loan	L + 8.75 %	N/A [6]	07/2016		(12)		
HighJump Acquisition LLC	Senior loan	L + 8.75 %	10.00%	07/2016	5,441	5,379	1.5	5,441
Marathon Data Operating Co., LLC	Senior loan	L + 6.25 %	7.50 %	08/2017	4,818	4,700	1.3	4,746
Marathon Data Operating Co., LLC[5]	Senior loan	L + 6.25 %	N/A [6]	08/2017		(10)		(10)
MSC.Software Corporation*	Senior loan	L + 7.74 %	9.24 %	12/2016	6,238	6,133	1.7	6,238
NS Holdings, Inc.*	Senior loan	L + 4.63 %	6.00 %	06/2015	260	257	0.1	260
NS Holdings, Inc.*	Senior loan	L + 6.27 %	7.68 %	06/2015	1,963	1,941	0.5	1,963
PC Helps Support, LLC	Senior loan	P + 4.25 %	7.50 %	09/2017	2,390	2,355	0.6	2,354
PC Helps Support, LLC[5]	Senior loan	P + 4.25 %	N/A [6]	09/2017		(3)		(3)
Secure-24, LLC	Senior loan	L + 6.25 %	7.50 %	08/2017	9,288	9,061	2.4	9,149
Secure-24, LLC[5]	Senior loan	L + 6.25 %	N/A [6]	08/2017		(8)		(8)
Secure-24, LLC[5]	Senior loan	L + 6.25 %	N/A [6]	08/2017		(16)		(17)
Sumtotal Systems, Inc.*	Senior loan	L + 4.00 %	5.25 %	12/2015	1,415	1,403	0.4	1,415
					74,243	72,776	19.9	73,906

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	Investment Type	Spread Above Index[1]	Interest Rate[2]	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Diversified Natural Resources, Precious Metals, and Minerals								
Metal Spinners, Inc.*	Senior loan	L + 6.50%	8.00%	12/2014	1,619	1,578	0.4	1,619
Metal Spinners, Inc.*	Senior loan	L + 6.50%	8.00%	12/2014	2,974	2,904	0.8	2,974
					4,593	4,482	1.2	4,593
Electronics								
Blue Coat Systems, Inc.*	Second lien	L + 10.00%	11.50%	08/2018	5,424	5,277	1.5	5,573
Blue Coat Systems, Inc.	Senior loan	L + 6.00%	7.50%	02/2018	8,085	7,940	2.2	8,156
Cape Electrical Supply LLC*[4]	Senior loan	L + 5.25%	6.75%	11/2013	1,465	1,437	0.4	1,465
Ecommerce Industries, Inc.[5]	Senior loan	L + 6.75%	N/A [6]	10/2016		(27)		
Ecommerce Industries, Inc.*	Senior loan	L + 8.34%	9.59%	10/2016	13,530	13,329	3.6	13,530
Entrust, Inc.*	Senior loan	L + 7.47%	8.97%	03/2017	4,053	4,006	1.1	4,053
Entrust, Inc.*	Senior loan	L + 7.45%	8.95%	03/2017	8,046	7,935	2.1	8,046
Rogue Wave Holdings, Inc.*	Senior loan	L + 10.00%	11.25%	08/2016	3,982	3,945	1.1	3,982
Syncsort Incorporated[5]	Senior loan	L + 5.50%	N/A [6]	03/2015		(4)		
Syncsort Incorporated*	Senior loan	L + 5.50%	7.50%	03/2015	8,032	7,918	2.1	8,032
Time-O-Matic, Inc.[4]	Subordinated debt	N/A	13.25%	12/2016	11,561	11,386	3.1	11,561
					64,178	63,142	17.2	64,398

Farming and Agriculture											
AGData, L.P.	Senior loan	L + 6.25	%	7.75	%	08/2016	2,814	2,782	0.8	2,814
Finance											
Bonddesk Group LLC*	Senior loan	L + 5.00	%	6.50	%	09/2016	1,010	1,002	0.3	1,010
Compass Group Diversified Holdings, LLC*	Senior loan	L + 5.00	%	6.25	%	10/2017	8,387	8,025	2.2	8,408
Pillar Processing LLC*(3)	Senior loan	L + 5.50	%	5.95	%	11/2013	2,412	2,389	0.4	1,361
Pillar Processing LLC*(3)	Senior loan	N/A		14.50	%	05/2014	3,125	2,947		
							14,934	14,363	2.9	10,779

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	Investment Type	Spread Above Index(1)		Interest Rate(2)		Maturity Date	Principal Amount	Cost		Percentage of Total Net Assets	Fair Value
Healthcare, Education and Childcare											
Advanced Pain Management Holdings, Inc.(4)	Subordinated debt	N/A		14.00	%	06/2016	7,958	7,828		2.1	7,958
Alegeus Technologies, LLC*	Senior loan	L + 5.00	%	6.50	%	08/2018	873	860		0.2	860
Avatar International, LLC(5)	Senior loan	L + 7.50	%	N/A	(6)	09/2016		(8	)		
Avatar International, LLC*	Senior loan	L + 7.50	%	8.75	%	09/2016	7,855	7,747		2.1	7,855
Avatar International, LLC	Senior loan	L + 8.00	%	9.25	%	09/2016	1,695	1,677		0.5	1,695
Campus Management Acquisition Corp.	Second lien	L + 10.35	%	12.10	%	09/2015	5,067	5,007		1.2	4,662
CHS/Community Health Systems, Inc.	Senior loan	L + 3.50	%	3.92	%	01/2017	406	406		0.1	409
Community Hospices of America, Inc.*	Senior loan	L + 5.50	%	7.25	%	12/2015	4,955	4,891		1.3	4,955
Community Hospices of America, Inc.(5)	Senior loan	L + 5.50	%	N/A	(6)	12/2015		(5	)		
Community Hospices of America, Inc.(4)	Subordinated debt	L + 11.75	%	13.75	%	06/2016	1,874	1,844		0.5	1,874
DDC Center Inc.*	Senior loan	L + 6.50	%	9.50	%	10/2014	8,205	8,211		2.2	8,205
DDC Center Inc.*	Senior loan	L + 6.50	%	9.50	%	12/2012	227	227		0.1	227
DDC Center Inc.	Senior loan	P + 5.25	%	10.75	%	10/2013	182	182			182
Delta Educational Systems, Inc.*	Senior loan	L + 5.00	%	7.00	%	11/2012	2,740	2,735		0.7	2,685
Dialysis Newco, Inc.(4)		N/A		13.00	%	09/2018	8,795	8,677		2.3	8,795

	Subordinated debt							
G & H Wire Company, Inc.[5]	Senior loan	L + 5.50 %	N/A [6]	11/2016		(13)		
G & H Wire Company, Inc.*	Senior loan	L + 5.50 %	7.00 %	11/2016	8,974	8,829	2.4	8,839
Hospitalists Management Group, LLC	Senior loan	L + 4.50 %	6.00 %	05/2017	455	445	0.1	419
Hospitalists Management Group, LLC	Senior loan	L + 4.50 %	6.00 %	05/2017	3,986	3,909	1.0	3,826
Hospitalists Management Group, LLC[5]	Senior loan	L + 4.50 %	N/A [6]	05/2017		(10)		(36)
The Hygenic Corporation*	Senior loan	L + 2.50 %	2.73 %	04/2013	1,961	1,951	0.5	1,961
IntegraMed America, Inc.[5]	Senior loan	L + 7.25 %	N/A [6]	09/2017		(18)		(16)
IntegraMed America, Inc.	Senior loan	L + 7.25 %	8.50 %	09/2017	14,603	14,275	3.8	14,311
Maverick Healthcare Group, LLC	Senior loan	L + 5.50 %	7.25 %	12/2016	2,148	2,123	0.6	2,148
National Healing Corporation	Senior loan	L + 6.75 %	8.25 %	11/2017	3,569	3,415	1.0	3,569
National Healing Corporation*	Second lien	L + 10.00 %	11.50 %	11/2018	17,976	16,967	4.8	17,976
NeuroTherm, Inc.*	Senior loan	L + 5.00 %	6.50 %	02/2016	1,591	1,567	0.4	1,591
NeuroTherm, Inc.	Senior loan	P + 4.00 %	7.25 %	02/2016	124	118		124
Pentec Acquisition Sub, Inc.*	Senior loan	L + 5.25 %	6.50 %	05/2018	2,243	2,200	0.6	2,198
Pentec Acquisition Sub, Inc.[5]	Senior loan	L + 5.25 %	N/A [6]	05/2017		(4)		(4)
PhysioTherapy Associates Holdings, Inc.*	Senior loan	L + 4.75 %	6.01 %	04/2018	577	566	0.2	578
Reliant Pro ReHab, LLC*	Senior loan	L + 4.75 %	6.00 %	06/2016	3,601	3,554	1.0	3,601
Reliant Pro ReHab, LLC	Senior loan	L + 4.75 %	6.00 %	06/2016	872	858	0.2	872
Reliant Pro ReHab, LLC	Senior loan	P + 3.75 %	7.00 %	06/2016	550	542	0.1	550
Renaissance Pharma (U.S.) Holdings Inc.	Senior loan	P + 4.25 %	7.50 %	06/2017	71	65		68
Renaissance Pharma (U.S.) Holdings Inc.	Senior loan	L + 5.25 %	6.76 %	06/2017	2,449	2,402	0.6	2,424
Surgical Information Systems, LLC	Second lien	L + 7.40 %	8.91 %	12/2015	4,291	4,235	1.1	4,291
WIL Research Company, Inc.*	Senior loan	L + 5.25 %	6.75 %	04/2018	792	781	0.2	788
					121,665	119,036	31.9	120,440

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Home and Office Furnishings, Housewares, and Durable Consumer								
Top Knobs USA, Inc.*	Senior loan	L + 5.75 %	7.76 %	11/2016	1,094	1,079	0.3	1,094
WII Components, Inc.*	Senior loan	L + 4.75 %	6.25 %	07/2016	1,732	1,712	0.5	1,732
WII Components, Inc.(5)	Senior loan	L + 4.75 %	N/A (6)	07/2016		(1)		
Zenith Products Corporation*	Senior loan	L + 5.50 %	5.93 %	09/2013	3,409	3,367	0.9	3,239
					6,235	6,157	1.7	6,065
Leisure, Amusement, Motion Pictures and Entertainment								
Competitor Group, Inc.*	Senior loan	L + 8.00 %	9.50 %	01/2017	16,807	16,525	4.5	16,807
Competitor Group, Inc.(5)	Senior loan	L + 8.00 %	N/A (6)	01/2017		(8)		
Competitor Group, Inc.	Senior loan	L + 8.00 %	9.50 %	01/2017	1,257	1,230	0.3	1,257
Cortz, Inc.*	Senior loan	L + 5.50 %	7.00 %	03/2014	6,609	6,582	1.8	6,609
Octane Fitness, LLC*	Senior loan	L + 5.50 %	7.00 %	12/2015	4,675	4,552	1.2	4,675
Pride Manufacturing Company, LLC*	Senior loan	L + 5.50 %	7.25 %	11/2015	737	728	0.2	722
The Service Companies*	Senior loan	L + 6.50 %	9.00 %	03/2014	6,612	6,557	1.8	6,612
					36,697	36,166	9.8	36,682
Mining, Steel, Iron and Non-Precious Metals								

Benetech, Inc.*	Senior loan	L + 5.00 %	5.22 %	12/2013	8,845	8,737	2.4	8,845
Personal and Non-Durable Consumer Products								
Dr. Miracles, Inc.*(4)	Senior loan	L + 7.50 %	10.00 %	03/2014	3,092	3,077	0.7	2,783
Massage Envy, LLC	Senior loan	L + 7.25 %	8.50 %	09/2018	63	45		47
Massage Envy, LLC	Senior loan	L + 7.25 %	8.50 %	09/2018	17,061	16,638	4.5	16,804
					20,216	19,760	5.2	19,634
Personal, Food and Miscellaneous Services								
Affordable Care Inc.*	Senior loan	L + 4.75 %	6.25 %	12/2015	3,525	3,490	0.9	3,525
Affordable Care Inc.(5)	Senior loan	L + 4.75 %	N/A (6)	12/2015		(6)		
Automatic Bar Controls, Inc.*	Senior loan	L + 5.75 %	7.25 %	03/2016	972	962	0.2	933
Automatic Bar Controls, Inc.(5)	Senior loan	L + 5.75 %	N/A (6)	03/2016		(2)		(6)
Brasa (Holdings) Inc.*	Senior loan	L + 6.25 %	7.50 %	07/2019	5,126	4,976	1.3	5,049
Focus Brands Inc.	Second lien	L + 9.00 %	10.25 %	08/2018	6,481	6,363	1.8	6,578
Focus Brands Inc.	Senior loan	L + 5.00 %	6.26 %	02/2018	5,951	5,898	1.6	6,033
Ignite Restaurant Group, Inc.*	Senior loan	L + 4.75 %	6.25 %	03/2016	4,170	4,101	1.1	4,170
NVA Acquisition Company	Senior loan	L + 4.25 %	5.50 %	06/2016	1,881	1,867	0.5	1,881
PMI Holdings, Inc. (Papa Murphys)(5)	Senior loan	L + 5.25 %	N/A (6)	06/2017		(3)		
PMI Holdings, Inc. (Papa Murphys)	Senior loan	L + 5.25 %	6.51 %	06/2017	2,709	2,683	0.7	2,709
Restaurant Technologies, Inc.*	Senior loan	L + 4.75 %	6.00 %	05/2017	1,077	1,069	0.3	1,056
Restaurant Technologies, Inc.	Senior loan	L + 4.75 %	6.00 %	05/2017	117	116		114
Trusthouse Service Group, Inc.(5)	Senior loan	L + 5.25 %	N/A (6)	06/2018		(4)		
Trusthouse Service Group, Inc.	Senior loan	P + 4.25 %	7.50 %	06/2017	82	77		82
Trusthouse Service Group, Inc.	Senior loan	L + 5.25 %	6.75 %	06/2018	2,976	2,926	0.8	2,976
Vetcor Merger Sub LLC*	Senior loan	L + 6.00 %	7.50 %	02/2015	9,646	9,646	2.6	9,646
					44,713	44,159	11.8	44,746

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Personal Transportation												
PODS Funding Corp. II[4]	Subordinated debt	N/A		21.00	%	11/2017	2,802	2,802		0.7	2,802	
PODS Funding Corp. II[4]	Subordinated debt	N/A		21.00	%	11/2017	579	579		0.2	579	
PODS Funding Corp. II[4]	Second lien	N/A		15.50	%	05/2017	447	441		0.1	447	
PODS Funding Corp. II[4]	Second lien	N/A		15.50	%	05/2017	2,096	2,045		0.6	2,096	
PODS Funding Corp. II	Senior loan	L + 7.00	%	8.50	%	11/2016	773	753		0.2	773	
PODS Funding Corp. II*	Senior loan	L + 7.00	%	8.50	%	11/2016	5,955	5,807		1.6	5,955	
							12,652	12,427		3.4	12,652	
Printing and Publishing												
Digital Technology International, LLC.	Senior loan	P + 6.00	%	9.25	%	09/2016	928	921		0.2	928	
Digital Technology International, LLC.	Senior loan	L + 7.25	%	8.75	%	09/2016	6,333	6,230		1.7	6,333	
Market Track, LLC*	Senior loan	L + 6.11	%	7.36	%	08/2018	3,150	3,104		0.8	3,103	
Market Track, LLC[5]	Senior loan	L + 6.11	%	N/A	[6]	08/2018		(6	)		(6	)
Market Track, LLC[5]	Senior loan	L + 7.65	%	N/A	[6]	08/2018		(4	)		(4	)
Trade Service Company, LLC*	Senior loan	L + 5.25	%	6.75	%	06/2013	1,026	1,024		0.3	1,026	
Trade Service Company, LLC*[4]	Senior loan	N/A		14.00	%	06/2013	765	764		0.2	765	
Trade Service Company, LLC	Senior loan	L + 5.25	%	N/A	[6]	06/2013						
							12,202	12,033		3.2	12,145	
Retail Stores												
	Senior loan		%	11.50	%	03/2017	4,964	4,878		1.3	4,964	

Barcelona Restaurants, LLC*[7]		L + 10.00								
Barcelona Restaurants, LLC[5][7]	Senior loan	L + 10.00	%	N/A	[6]	03/2017		(5)		
Benihana, Inc.	Senior loan	L + 8.00	%	9.25	%	08/2017	365	329	0.1	335
Benihana, Inc.*	Senior loan	L + 8.00	%	9.25	%	02/2018	13,456	13,108	3.5	13,166
Bojangles' Restaurants, Inc.*	Senior loan	P + 5.50	%	8.75	%	08/2017	2,761	2,597	0.7	2,767
Chuy's OPCO, Inc.[5]	Senior loan	L + 7.00	%	N/A	[6]	05/2016		(2)		
Chuy's OPCO, Inc.[5]	Senior loan	L + 7.00	%	N/A	[6]	05/2016		(9)		
Chuy's OPCO, Inc.	Senior loan	L + 7.00	%	8.50	%	05/2016	942	929	0.3	942
DTLR, Inc. (fka Levtran)*	Senior loan	L + 8.00	%	11.00	%	12/2015	7,904	7,806	2.1	7,904
The Marshall Retail Group, LLC[5]	Senior loan	L + 6.50	%	N/A	[6]	10/2016		(15)		
The Marshall Retail Group, LLC*	Senior loan	L + 6.50	%	8.00	%	10/2016	10,414	10,238	2.8	10,414
Michaels Stores, Inc.	Senior loan	L + 2.25	%	2.69	%	10/2013	2,917	2,920	0.8	2,932
Restaurant Holding Company, LLC	Senior loan	L + 7.50	%	9.00	%	02/2017	9,517	9,350	2.6	9,660
Rubio's Restaurants, Inc*[4]	Senior loan	L + 7.75	%	9.50	%	06/2015	8,246	8,149	2.2	8,246
Specialty Catalog Corp.	Senior loan	L + 6.00	%	7.50	%	07/2017	5,396	5,326	1.4	5,342
Specialty Catalog Corp.[5]	Senior loan	L + 6.00	%	N/A	[6]	07/2017		(8)		(8)
Vision Source L.P.[5]	Senior loan	L + 6.75	%	N/A	[6]	04/2016		(9)		
Vision Source L.P.*	Senior loan	L + 6.75	%	8.00	%	04/2016	13,201	13,007	3.5	13,201
							80,083	78,589	21.3	79,865

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Consolidated Schedule of Investments (Continued)
September 30, 2012
(In thousands)

	Investment Type	Spread Above Index[1]		Interest Rate[2]	Maturity Date	Principal Amount	Cost		Percentage of Total Net Assets	Fair Value	
Telecommunications											
Hosting.com, Inc.*	Senior loan	L + 4.50	%	5.76%	10/2016	846	836		0.2	846	
Hosting.com, Inc.[5]	Senior loan	L + 4.50	%	N/A [6]	10/2016		(2	)			
NameMedia, Inc.	Senior loan	L + 6.00	%	7.50%	11/2014	28	27			28	
NameMedia, Inc.	Senior loan	L + 6.00	%	7.50%	11/2014	2,159	2,131		0.6	2,159	
West Corporation[5]	Senior loan	L + 1.75	%	N/A [6]	10/2012		(8	)			
						3,033	2,984		0.8	3,033	
Utilities											
PowerPlan Consultants, Inc.[3]	Senior loan	L + 5.25	%	N/A [6]	03/2017		(2	)			
PowerPlan Consultants, Inc.*	Senior loan	L + 5.25	%	6.76%	03/2018	5,164	5,093		1.4	5,164	
						5,164	5,091		1.4	5,164	
Total debt investments United States						$658,309	$646,457		173.2 %	$649,542	
Fair Value as a percentage of Principal Amount										98.7	%

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(In thousands)

	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount/Shares/Contracts	Cost	Percentage of Total Net Assets	Fair Value
Equity investments								
Aerospace and Defense								
Whitcraft LLC	Common stock	N/A	N/A	N/A	1	$670	0.2 %	$753
Whitcraft LLC	Warrant	N/A	N/A	N/A				147
						670	0.2	900
Automobile								
ABRA, Inc.	LLC interest	N/A	N/A	N/A	208	1,471	0.4	1,688
K&N Engineering, Inc.	Common stock	N/A	N/A	N/A		4		4
K&N Engineering, Inc.	Preferred stock A	N/A	N/A	N/A		62		62
K&N Engineering, Inc.	Preferred stock B	N/A	N/A	N/A		18		18
						1,555	0.4	1,772
Banking								
Prommis Solutions Inc.*	Preferred LLC interest	N/A	N/A	N/A	1	472		
Prommis Solutions Inc.*	A-1 LLC interest	N/A	N/A	N/A				
Prommis Solutions Inc.*	A-2 LLC interest	N/A	N/A	N/A				
						472		
Beverage, Food and Tobacco								
Atkins Nutrionals, Inc.	LLC interest	N/A	N/A	N/A	57	796	0.3	1,063
First Watch Restaurants, Inc.	Common stock	N/A	N/A	N/A	7	691	0.2	691
Julio & Sons Company	LLC interest	N/A	N/A	N/A	521	521	0.2	619

Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	0.1	193
						2,228	0.8	2,566
Diversified Conglomerate Manufacturing								
Oasis Outsourcing Holdings, Inc.	LLC interest	N/A	N/A	N/A	1,088	1,088	0.4	1,385
Sunless Merger Sub, Inc.	Preferred stock	N/A	N/A	N/A		148		129
TIDI Products, LLC	LLC interest	N/A	N/A	N/A	315	315	0.1	315
						1,551	0.5	1,829
Diversified Conglomerate Service								
Document Technologies, LLC	LLC interest	N/A	N/A	N/A	24	490	0.1	490
Employment Law Training, Inc.	LP interest	N/A	N/A	N/A		666	0.2	757
Marathon Data Operating Co., LLC	Common stock	N/A	N/A	N/A	1	264	0.1	264
Marathon Data Operating Co., LLC	Preferred stock	N/A	N/A	N/A	1	264	0.1	264
PC Helps Support, LLC	Common stock	N/A	N/A	N/A	1	7		7
PC Helps Support, LLC	Preferred stock	N/A	N/A	N/A		61		61
Secure-24, LLC	LLC Units	N/A	N/A	N/A	253	253	0.1	253
						2,005	0.6	2,096

See Notes to Consolidated Financial Statements.

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	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount/Shares/ Contracts	Cost	Percentage of Total Net Assets	Fair Value
Finance								
Pillar Processing LLC*	Common stock	N/A	N/A	N/A				
Healthcare, Education and Childcare								
Advanced Pain Management Holdings, Inc.	Common stock	N/A	N/A	N/A	67	67		
Advanced Pain Management Holdings, Inc.	Preferred stock	N/A	N/A	N/A	13	1,273	0.4	1,369
Avatar International, LLC	LP interest	N/A	N/A	N/A	1	695	0.2	695
Dialysis Newco, Inc.	LLC interest	N/A	N/A	N/A	871	871	0.2	871
G & H Wire Company, Inc.	LP interest	N/A	N/A	N/A		102		102
Hospitalists Management Group, LLC	Common stock	N/A	N/A	N/A		38		38
IntegraMed America, Inc.	Common stock	N/A	N/A	N/A	1	514	0.1	514
National Healing Corporation	Preferred stock	N/A	N/A	N/A	695	799	0.3	1,127
NeuroTherm, Inc.	Common stock	N/A	N/A	N/A	1	569	0.2	569
Pentec Holdings, Inc.	Preferred stock	N/A	N/A	N/A	1	116		116
Reliant Pro ReHab, LLC	Preferred stock	N/A	N/A	N/A	2	264	0.1	263
Surgical Information Systems, LLC	Common stock	N/A	N/A	N/A	4	414	0.1	414
						5,722	1.6	6,078
Home and Office Furnishings, Housewares, and Durable								

Consumer								
Top Knobs USA, Inc.	Common stock	N/A	N/A	N/A	3	73		73
Leisure, Amusement, Motion Pictures and Entertainment								
Competitor Group, Inc.	Preferred stock	N/A	N/A	N/A	12	88	0.1	193
Competitor Group, Inc.	Common stock	N/A	N/A	N/A		87		107
						175	0.1	300
Personal and Non-Durable Consumer Products								
Massage Envy, LLC	LLC interest	N/A	N/A	N/A	749	749	0.2	749
Personal Transportation								
PODS Funding Corp. II	Warrant	N/A	N/A	N/A	271			
Printing and Publishing								
Market Track, LLC	Preferred stock	N/A	N/A	N/A		145		145
Market Track, LLC	Common stock	N/A	N/A	N/A	1	145		145
						290		290

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	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount/Shares/Contracts	Cost	Percentage of Total Net Assets	Fair Value
Retail Stores								
Barcelona Restaurants, LLC(7)	LP interest	N/A	N/A	N/A	1,996	1,996	0.7	2,538
Benihana, Inc.	LLC interest	N/A	N/A	N/A	43	699	0.2	699
Rubio's Restaurants, Inc.	Preferred stock	N/A	N/A	N/A	199	945	0.2	599
Vision Source L.P.	Common stock	N/A	N/A	N/A	9	936	0.2	936
						4,576	1.3	4,772
Total equity investments United States						$20,066	5.7 %	$21,425
Total United States						$666,523	178.9 %	$670,967
Total investments						$669,841	179.4 %	$672,910

* Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization (as defined in Note 6).

(1) The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate (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, 2012. 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, 2012.

(3) Loan was on non-accrual status as of September 30, 2012, meaning that the Company has ceased recognizing interest income on the loan.

(4) A portion of the interest may be deferred through a payment-in-kind (PIK) rate option.

(5) 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.

(6) The entire commitment was unfunded at September 30, 2012. As such, no interest is being earned on this investment.

(7) The Company is an affiliated person, as that term is defined in the 1940 Act, of the portfolio company as it owns five percent or more of the portfolio company s voting securities.

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	Investment Type	Spread Above Index(1)		Interest Rate(2)		Maturity Date	Principal Amount	Cost		Percentage of Net Assets	Fair Value
Investments Canada Debt investments Leisure, Amusement, Motion Pictures, Entertainment											
Extreme Fitness, Inc.(6)	Subordinated debt	N/A		14.50	%	11/2015	$2,799	$2,748		0.8 %	$2,799
Total Canada							$2,799	$2,748		0.8 %	$2,799
Fair Value as percentage of Principal Amount											100.0 %
United States Debt investments Aerospace and Defense											
Whitcraft LLC	Subordinated debt	N/A		12.00	%	12/2018	$1,877	$1,843		0.6 %	$1,877
Automobile											
CLP Auto Interior Corporation*	Senior loan	L + 4.75	%	4.99	%	06/2013	3,146	3,146		0.9	2,988
Driven Brands, Inc.*	Senior loan	L + 5.00	%	6.53	%	10/2014	5,109	5,109		1.6	5,108
							8,255	8,255		2.5	8,096
Banking											
Prommis Solutions Inc.*(5)	Senior loan	P + 3.25	%	5.25	%	02/2013	1,237	1,237		0.2	928
							1,237	1,237		0.2	928
Beverage, Food and Tobacco											
ABP Corporation*	Senior loan	L + 5.25	%	6.75	%	06/2016	4,582	4,498		1.4	4,581
ABP Corporation(3)	Senior loan		%	N/A	(4)	06/2016		(7	)		

		L + 5.25						
Ameriqual Group, LLC*	Senior loan	L + 5.00 %	6.51 %	03/2016	1,960	1,924	0.6	1,960
Ameriqual Group, LLC*	Senior loan	L + 7.50 %	9.00 %	03/2016	848	833	0.3	848
Atkins Nutrionals, Inc.	Second lien	L + 10.92 %	12.92 %	12/2015	5,028	4,944	1.6	5,028
Bertucci's Corporation*	Second lien	L + 11.26 %	14.27 %	07/2012	1,943	1,921	0.6	1,943
IL Fornaio (America) Corporation*	Senior loan	L + 5.25 %	6.50 %	06/2017	4,831	4,808	1.5	4,807
Julio & Sons Company[3]	Senior loan	L + 7.00 %	N/A [4]	09/2014		(22)		(22)
Julio & Sons Company[3]	Senior loan	L + 7.00 %	N/A [4]	09/2016		(15)		(15)
Julio & Sons Company*	Senior loan	L + 7.00 %	8.50 %	09/2016	7,175	7,104	2.2	7,103
Noodles & Company*	Senior loan	L + 4.50 %	5.75 %	02/2016	1,621	1,607	0.5	1,621
Richelieu Foods, Inc.*	Senior loan	L + 5.00 %	6.76 %	11/2015	2,225	2,174	0.7	2,225
Richelieu Foods, Inc.	Senior loan	P + 4.00 %	7.25 %	11/2015	132	119		132
					30,345	29,888	9.4	30,211
Building and Real Estate								
American Fire Protection Group, Inc.[5]	Senior loan	L + 6.75 %	9.00 %	06/2011	4,422	4,124	0.3	1,105
ASP PDM Acquisition Co. LLC*	Senior loan	L + 2.75 %	3.29 %	12/2013	457	436	0.1	411
Infiltrator Systems, Inc.*	Senior loan	L + 5.50 %	8.50 %	09/2012	7,548	7,405	2.4	7,548
ITEL Laboratories, Inc.*	Senior loan	L + 4.50 %	5.75 %	03/2014	7,633	7,556	2.4	7,633
KHKI Acquisition, Inc.	Senior loan	L + 6.00 %	8.50 %	03/2012	118	118		118
KHKI Acquisition, Inc.	Senior loan	L + 6.00 %	8.50 %	03/2013	2,600	2,598	0.7	2,080
Tecta America Corp.	Senior loan	P + 5.75 %	9.00 %	03/2014	2,285	2,285	0.6	2,029
					25,063	24,522	6.5	20,924
Cargo Transport								
TMW Systems, Inc.*	Senior loan	L + 4.25 %	5.80 %	05/2016	2,167	2,137	0.7	2,102
Chemicals, Plastics and Rubber								
Flint Trading, Inc.*	Senior loan	L + 7.25 %	8.75 %	06/2016	12,466	12,403	3.9	12,466
Flint Trading, Inc.[3]	Senior loan	L + 7.25 %	N/A [4]	06/2016		(10)		
Syrgis Holdings, Inc.*	Senior loan	%	7.75 %	08/2012	186	182	0.1	186

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		L + 5.50								
Syrgis Holdings, Inc.*	Senior loan	L + 6.00	%	8.25	%	08/2013	864	836	0.3	864
Syrgis Holdings, Inc.*	Senior loan	L + 8.50	%	10.75	%	02/2014	474	457	0.1	474
							13,990	13,868	4.4	13,990

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(In thousands)

	Investment Type	Spread Above Index[1]		Interest Rate[2]		Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Containers, Packaging and Glass										
Fort Dearborn Company*	Senior loan	L + 4.75	%	6.65	%	08/2015	23	22		23
Fort Dearborn Company*	Senior loan	L + 5.25	%	7.12	%	08/2016	49	48		49
Fort Dearborn Company*	Senior loan	L + 4.75	%	6.50	%	08/2015	1,473	1,450	0.5	1,473
Fort Dearborn Company*	Senior loan	L + 5.25	%	7.00	%	08/2016	3,258	3,205	1.0	3,258
							4,803	4,725	1.5	4,803
Diversified Conglomerate Manufacturing										
Heat Transfer Parent, Inc.*	Senior loan	L + 3.00	%	3.24	%	06/2013	1,790	1,748	0.5	1,682
Neptco Inc.[6]	Senior loan	L + 6.00	%	8.00	%	03/2013	3,920	3,838	1.1	3,607
OnCore Manufacturing LLC*	Senior loan	L + 8.00	%	11.00	%	06/2016	3,542	3,482	1.2	3,648
Pasternack Enterprises, Inc.*	Senior loan	L + 4.50	%	6.00	%	02/2014	4,467	4,381	1.4	4,377
Sunless Merger Sub, Inc.*	Senior loan	L + 5.00	%	6.25	%	07/2016	2,412	2,400	0.8	2,400
Sunless Merger Sub, Inc.[3]	Senior loan	L + 5.00	%	N/A	[4]	07/2016		(1)		(1)
Tecomet Inc.[3]	Senior loan	L + 5.25	%	N/A	[4]	12/2015		(7)		
Tecomet Inc.*	Senior loan	L + 5.25	%	7.00	%	12/2015	4,564	4,520	1.4	4,564
Vintage Parts, Inc.*	Senior loan	L + 5.50	%	5.75	%	12/2013	6,596	6,534	2.0	6,398
Vintage Parts, Inc.*			%	8.50	%	12/2013	92	92		92

	Senior loan	L + 6.00						
Vintage Parts, Inc.*	Senior loan	L + 8.00 %	9.75 %	12/2013	1,378	1,415	0.4	1,420
					28,761	28,402	8.8	28,187
Diversified Conglomerate Service								
Benetech, Inc.*	Senior loan	L + 5.00 %	5.22 %	12/2013	8,845	8,649	2.8	8,845
CIBT Holdings(3)	Senior loan	L + 4.75 %	N/A (4)	12/2015		(3)		
CIBT Holdings*	Senior loan	L + 4.75 %	6.50 %	12/2015	1,055	1,055	0.3	1,055
Compass Group Diversified Holdings, LLC*	Senior loan	L + 4.00 %	4.25 %	12/2013	4,444	4,444	1.4	4,444
Cortz, Inc.*	Senior loan	L + 5.50 %	7.00 %	03/2014	6,624	6,585	2.1	6,624
Digital Technology International, LLC(3)	Senior loan	P + 6.00 %	N/A (4)	09/2016		(9)		(9)
Digital Technology International, LLC	Senior loan	L + 7.25 %	8.75 %	09/2016	6,495	6,365	2.0	6,430
EAG, Inc.*	Senior loan	P + 3.50 %	6.75 %	07/2017	2,732	2,687	0.9	2,732
Evolution1, Inc.(3)	Senior loan	L + 4.75 %	N/A (4)	06/2016		(24)		(33)
Evolution1, Inc.(3)	Senior loan	L + 4.75 %	N/A (4)	06/2016		(5)		(7)
Evolution1, Inc.*	Senior loan	L + 4.75 %	6.25 %	06/2016	4,654	4,588	1.4	4,561
HighJump Acquisition LLC(3)	Senior loan	L + 8.75 %	N/A (4)	07/2016		(15)		(16)
HighJump Acquisition LLC	Senior loan	L + 8.75 %	10.00 %	07/2016	5,496	5,417	1.7	5,469
NS Holdings, Inc.*(3)	Senior loan	L + 6.25 %	N/A (4)	06/2015		(6)		
NS Holdings, Inc.*	Senior loan	L + 6.28 %	7.65 %	06/2015	2,140	2,107	0.7	2,140
QuadraMed Corporation*	Senior loan	L + 5.25 %	6.75 %	07/2016	1,215	1,203	0.4	1,202
Royall & Company*	Senior loan	L + 5.00 %	6.50 %	11/2015	770	757	0.2	770
The Service Companies, Inc.*	Senior loan	L + 6.50 %	9.00 %	03/2014	5,573	5,573	1.8	5,573
Sumtotal Systems, Inc.*	Senior loan	L + 4.25 %	5.50 %	12/2015	1,552	1,536	0.5	1,552
					51,595	50,904	16.2	51,332

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	Investment Type	Spread Above Index[1]	Interest Rate[2]	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Diversified Natural Resources, Precious Metals, and Minerals								
Metal Spinners, Inc.*	Senior loan	L + 7.00 %	10.00 %	12/2014	1,728	1,681	0.5	1,728
Metal Spinners, Inc.*[6]	Senior loan	L + 11.00 %	14.00 %	12/2014	3,153	3,072	1.0	3,153
					4,881	4,753	1.5	4,881
Electronics								
Cape Electrical Supply LLC*[6]	Senior loan	L + 6.25 %	7.50 %	11/2013	1,973	1,899	0.6	1,973
Entrust, Inc.*	Senior loan	L + 7.22 %	8.72 %	03/2017	4,273	4,259	1.3	4,273
Entrust, Inc.*	Senior loan	L + 7.23 %	8.73 %	03/2017	9,971	9,961	3.1	9,971
Syncsort Incorporated[3]	Senior loan	L + 5.50 %	N/A [4]	03/2015		(6)		
Syncsort Incorporated*	Senior loan	L + 5.50 %	7.50 %	03/2015	8,981	8,981	2.8	8,981
Time-O-Matic, Inc.[6]	Subordinated debt	N/A	13.25 %	12/2016	11,416	11,199	3.6	11,416
					36,614	36,293	11.4	36,614
Farming and Agriculture								
AGData, L.P.	Senior loan	L + 6.25 %	7.75 %	08/2016	2,972	2,931	0.9	2,972
Finance								
Bonddesk Group LLC*	Senior loan	L + 5.00 %	6.50 %	09/2016	1,018	1,008	0.3	1,008
Pillar Processing LLC*	Senior loan	L + 5.50 %	5.73 %	05/2014	3,125	3,125	0.9	2,969
Pillar Processing LLC*	Senior loan	N/A	14.50 %	11/2013	3,018	3,012	0.9	2,807
					7,161	7,145	2.1	6,784

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Consolidated Schedule of Investments (Continued) September 30, 2011 *(In thousands)*

	Investment Type	Spread Above Index(1)		Interest Rate(2)		Maturity Date	Principal Amount	Cost		Percentage of Total Net Assets	Fair Value	
Healthcare, Education and Childcare												
ADG, LLC(3)	Senior loan	L + 4.75	%	N/A	(4)	03/2014		(5	)			
ADG, LLC	Senior loan	P + 3.75	%	7.00	%	03/2014	21	17			21	
ADG, LLC*	Senior loan	L + 4.75	%	6.25	%	03/2014	3,389	3,389		1.1	3,389	
Advanced Pain Management Holdings, Inc.(6)	Subordinated debt	N/A		14.00	%	06/2016	7,798	7,632		2.5	7,798	
Avatar International, LLC*	Senior loan	L + 7.50	%	8.75	%	09/2016	8,056	7,917		2.5	7,955	
Avatar International, LLC(3)	Senior loan	L + 7.50	%	N/A	(4)	09/2016		(10	)		(10	)
Campus Management Acquisition Corp.	Second lien	L + 8.25	%	10.00	%	09/2015	5,315	5,230		1.7	5,315	
CHS/Community Health Systems, Inc. *	Senior loan	L + 2.25	%	2.57	%	07/2014	519	514		0.2	486	
Community Hospices of America, Inc.(3)	Senior loan	L + 5.50	%	N/A	(4)	12/2015		(6	)			
Community Hospices of America, Inc.*	Senior loan	L + 5.50	%	7.25	%	12/2015	5,233	5,145		1.7	5,233	
Community Hospices of America, Inc.(6)	Subordinated debt	L + 11.75	%	13.75	%	06/2016	1,822	1,784		0.6	1,822	
DDC Center Inc.*	Senior loan	L + 6.50	%	9.50	%	10/2014	8,591	8,591		2.7	8,420	
Delta Educational Systems, Inc.*	Senior loan	P + 2.75	%	6.00	%	06/2012	2,924	2,881		0.9	2,924	
Den-Mat Holdings, LLC(5)(6)	Senior loan	L + 7.50	%	8.50	%	06/2014	3,419	3,350		0.3	858	
Ernest Healthcare, Inc.*	Senior loan		%	6.25	%	05/2016	2,527	2,504		0.8	2,527	

		L + 4.75						
G & H Wire Company, Inc.[3]	Senior loan	L + 5.50 %	N/A [4]	12/2015		(11)		
G & H Wire Company, Inc.*	Senior loan	L + 5.50 %	7.25 %	12/2015	5,775	5,674	1.8	5,775
Hospitalists Management Group, LLC[3]	Senior loan	L + 4.50 %	N/A [4]	05/2017		(13)		(18)
Hospitalists Management Group, LLC	Senior loan	L + 4.50 %	6.00 %	05/2017	415	402	0.1	397
Hospitalists Management Group, LLC	Senior loan	P + 3.50 %	6.75 %	05/2017	4,175	4,077	1.3	4,091
The Hygenic Corporation*	Senior loan	L + 2.50 %	2.75 %	04/2013	2,242	2,209	0.7	2,197
Integrated DNA Technologies, Inc.[6]	Subordinated debt	N/A	14.00 %	04/2015	3,800	3,752	1.2	3,800
Integrated DNA Technologies, Inc.[6]	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	2,251	2,219	0.7	2,251
NeuroTherm, Inc.	Senior loan	L + 5.00 %	6.50 %	02/2016	243	236	0.1	243
NeuroTherm, Inc.*	Senior loan	L + 5.00 %	6.50 %	02/2016	1,707	1,673	0.5	1,707
Reliant Pro ReHab, LLC*	Senior loan	L + 4.75 %	6.00 %	06/2016	3,793	3,730	1.2	3,755
Reliant Pro ReHab, LLC[3]	Senior loan	L + 4.75 %	N/A [4]	06/2016		(21)		(18)
Reliant Pro ReHab, LLC[3]	Senior loan	L + 4.75 %	N/A [4]	06/2016		(10)		(6)
Sterilmed, Inc.*[6]	Senior loan	L + 8.50 %	10.00 %	07/2016	3,079	3,079	1.0	3,079
Sterilmed, Inc.[3]	Senior loan	L + 6.25 %	N/A [4]	07/2015		(7)		
Surgical Information Systems, LLC	Second lien	L + 7.73 %	9.23 %	12/2015	5,047	4,961	1.6	5,047
TIDI Products, LLC*	Senior loan	L + 5.00 %	6.50 %	05/2015	2,228	2,228	0.7	2,228
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 %	2.24 %	04/2014	1,514	1,514	0.5	1,430
					86,333	85,058	26.5	83,146

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Golub Capital BDC, Inc. and Subsidiaries

Consolidated Schedule of Investments (Continued) September 30, 2011 *(In thousands)*

	Investment Type	Spread Above Index(1)		Interest Rate(2)		Maturity Date	Principal Amount	Cost		Percentage of Total Net Assets	Fair Value	
Home and Office Furnishings, Housewares, and Durable Consumer												
Amerifile, LLC*	Senior loan	L + 5.00	%	6.50	%	03/2016	4,434	4,375		1.4	4,434	
Top Knobs USA, Inc.*	Senior loan	L + 5.75	%	7.75	%	11/2016	1,176	1,156		0.4	1,176	
WII Components, Inc.*	Senior loan	L + 4.75	%	6.25	%	07/2016	1,824	1,798		0.6	1,797	
WII Components, Inc.(3)	Senior loan	L + 4.75	%	N/A	(4)	07/2016		(2	)		(2	)
Zenith Products Corporation*	Senior loan	L + 5.00	%	5.43	%	09/2013	4,141	4,090		1.3	4,058	
							11,575	11,417		3.7	11,463	
Leisure, Amusement, Motion Pictures and Entertainment												
Competitor Group, Inc.	Senior loan	L + 7.50	%	9.50	%	09/2015	389	370		0.1	389	
Competitor Group, Inc.	Senior loans	L + 7.50	%	N/A	(4)	09/2015	3,557	3,468		1.1	3,557	
Competitor Group, Inc.*	Senior loan	L + 7.50	%	9.50	%	09/2015	7,783	7,629		2.5	7,783	
Octane Fitness, LLC*	Senior loan	L + 4.60	%	4.85	%	03/2013	4,675	4,596		1.4	4,582	
Optronics Product Company, Inc.*	Senior loan	L + 4.50	%	5.50	%	12/2012	79	77			79	
Optronics Product Company, Inc.*	Second lien	L + 7.25	%	8.25	%	12/2013	2,489	2,412		0.8	2,489	
Premier Yachts, Inc.(3)	Senior loan	L + 5.50	%	N/A	(4)	12/2015		(3	)			
Premier Yachts, Inc.*	Senior loan		%	7.00	%	12/2015	681	670		0.2	681	

		L + 5.50								
Pride Manufacturing Company, LLC*	Senior loan	L + 5.50	%	7.25	%	11/2015	819	805	0.3	819
							20,472	20,024	6.4	20,379
Oil and Gas										
Tri-County Petroleum, Inc.(6)	Subordinated debt	N/A		14.00	%	08/2015	7,206	7,077	2.3	7,206
Tri-County Petroleum, Inc.*	Senior loan	L + 5.00	%	6.50	%	02/2015	6,480	6,359	2.0	6,480
Tri-County Petroleum, Inc.*	Senior loan	L + 4.50	%	6.02	%	02/2015	3,051	3,024	1.0	3,051
							16,737	16,460	5.3	16,737

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Consolidated Schedule of Investments (Continued)
September 30, 2011
(In thousands)

	Investment Type	Spread Above Index[(1)]	Interest Rate[(2)]	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Personal and Non-Durable Consumer Products								
Dr. Miracles, Inc.*[(6)]	Senior loan	L + 7.50 %	10.00 %	03/2014	3,344	3,317	1.0	3,210
Massage Envy, LLC[(3)]	Senior loan	L + 5.00 %	N/A [(4)]	06/2016		(1)		
Massage Envy, LLC*	Senior loan	L + 5.00 %	6.50 %	06/2016	6,742	6,742	2.2	6,742
MTS Medication Technologies, Inc.[(3)]	Senior loan	P + 4.25 %	N/A [(4)]	06/2016		(2)		
MTS Medication Technologies, Inc.*	Senior loan	L + 5.50 %	7.00 %	06/2016	1,601	1,590	0.5	1,601
Strategic Partners, Inc.[(6)]	Subordinated debt	N/A	14.00 %	02/2017	9,636	9,415	3.1	9,636
					21,323	21,061	6.8	21,189
Personal, Food and Miscellaneous Services								
Affordable Care Inc.[(3)]	Senior loan	L + 5.00 %	N/A [(4)]	12/2015		(8)		
Affordable Care Inc.*	Senior loan	L + 5.00 %	6.50 %	12/2015	3,686	3,638	1.2	3,686
Automatic Bar Controls, Inc.*	Senior loan	L + 5.75 %	7.44 %	03/2016	1,125	1,110	0.4	1,125
Automatic Bar Controls, Inc.[(3)]	Senior loan	P + 4.75 %	8.00 %	03/2016	2	(1)		2
Ignite Restaurant Group, Inc.*	Senior loan	L + 4.75 %	6.25 %	03/2016	6,633	6,633	2.1	6,633
NVA Acquisition Company	Senior loan	L + 4.25 %	5.50 %	06/2016	1,900	1,900	0.6	1,824
Restaurant Technologies, Inc.[(3)]	Senior loan	L + 4.75 %	N/A [(4)]	05/2017		(2)		

Restaurant Technologies, Inc.*	Senior loan	L + 4.75 %	6.00 %	05/2017	1,116	1,106	0.4	1,116
Trusthouse Service Group, Inc.(3)	Senior loan	L + 5.13 %	N/A (4)	07/2017		(5)		(5)
Trusthouse Service Group, Inc.	Senior loan	P + 4.13 %	7.38 %	07/2016	3	3		3
Trusthouse Service Group, Inc.	Senior loan	L + 5.13 %	6.63 %	07/2017	1,044	1,029	0.3	1,029
Vetcor Professional Practices LLC*	Senior loan	L + 6.00 %	7.50 %	02/2015	1,944	1,944	0.6	1,944
Vetcor Professional Practices LLC(3)	Senior loan	L + 6.00 %	N/A (4)	02/2015		(120)		
Vetcor Professional Practices LLC	Senior loan	L + 6.00 %	7.50 %	02/2015	2,020	2,020	0.6	2,020
					19,473	19,247	6.2	19,377
Printing and Publishing								
Market Track, LLC(3)	Senior loan	L + 7.75 %	N/A (4)	11/2015		(20)		
Market Track, LLC*	Senior loan	L + 7.75 %	9.25 %	11/2015	12,768	12,563	4.1	12,768
Trade Service Company, LLC(3)	Senior loan	L + 5.25 %	N/A (4)	06/2013		(1)		
Trade Service Company, LLC*	Senior loan	L + 5.25 %	6.75 %	06/2013	1,342	1,338	0.5	1,342
Trade Service Company, LLC*(6)	Senior loan	N/A	14.00 %	06/2013	765	763	0.3	765
					14,875	14,643	4.9	14,875

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Consolidated Schedule of Investments (Continued)
September 30, 2011
(In thousands)

	Investment Type	Spread Above Index[1]	Interest Rate[2]	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Retail Stores								
Chuy's OPCO, Inc.[3]	Senior loan	L + 7.00 %	N/A [4]	05/2016		(3)		
Chuy's OPCO, Inc.[3]	Senior loan	L + 7.00 %	N/A [4]	05/2016		(21)		
Chuy's OPCO, Inc.	Senior loan	L + 7.00 %	8.50 %	05/2016	8,639	8,458	2.8	8,639
DTLR, Inc.	Senior loan	L + 8.00 %	11.00%	12/2015	5,861	5,738	1.9	5,861
The Marshall Retail Group, LLC*	Senior loan	L + 4.50 %	7.25 %	04/2013	2,574	2,516	0.8	2,574
The Marshall Retail Group, LLC*	Second lien	L + 6.50 %	9.25 %	04/2013	2,100	2,063	0.7	2,100
Rubio's Restaurants, Inc.*	Senior loan	L + 7.00 %	8.75 %	06/2015	9,433	9,280	3.0	9,433
Vision Source L.P.*	Senior loan	L + 6.75 %	8.00 %	04/2016	13,669	13,411	4.3	13,669
Vision Source L.P.	Senior loan	L + 6.75 %	8.00 %	04/2016	142	131		142
					42,418	41,573	13.5	42,418
Telecommunications								
Hosting.com	Senior loan	L + 6.75 %	N/A [4]	05/2014				
Hosting.com*	Senior loan	L + 6.75 %	8.25 %	05/2014	2,084	2,084	0.7	2,084
NameMedia, Inc.	Senior loan	P + 5.00 %	8.25 %	11/2014	9	8		8
NameMedia, Inc.	Senior loan	L + 6.00 %	7.50 %	11/2014	2,486	2,439	0.8	2,461
West Corporation[3]	Senior loan	L + 2.00 %	N/A [4]	10/2012		(124)	(0.1)	(200)
					4,579	4,407	1.4	4,353
					$457,506	$450,793		$447,638

Total debt investments United States	141.4 %	
Fair Value as a percentage of Principal Amount		97.8 %

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	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount / Shares / Contracts	Cost	Percentage of Total Net Assets	Fair Value
Equity investments								
Aerospace and Defense								
Whitcraft LLC	Common 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
Beverage, Food and Tobacco								
Atkins Nutrionals, Inc.	LLC interest	N/A	N/A	N/A	57	838	0.3	838
Julio & Sons Company	LLC interest	N/A	N/A	N/A	521	521	0.2	521
Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	0.1	220
						1,579	0.6	1,579
Diversified Conglomerate Manufacturing								
Neptco Inc.	Warrant	N/A	N/A	N/A				
Sunless Merger Sub, Inc.	LP interest	N/A	N/A	N/A		148	0.1	148
						148	0.1	148
Healthcare, Education and Childcare								
Advanced Pain Management Holdings, Inc.	Common stock	N/A	N/A	N/A	67	67		67
Advanced Pain Management Holdings, Inc.	Preferred stock	N/A	N/A	N/A	13	1,273	0.4	1,273
Avatar International, LLC	LP interest	N/A	N/A	N/A	1	651	0.2	651
G & H Wire Company, Inc.	LP interest	N/A	N/A	N/A		102		102
		N/A	N/A	N/A		38		38

Hospitalists Management Group, LLC	Common stock							
NeuroTherm, Inc.	Common stock	N/A	N/A	N/A	1	569	0.2	569
Reliant Pro ReHab, LLC	Preferred stock	N/A	N/A	N/A	2	264	0.1	263
Surgical Information Systems, LLC	Common stock	N/A	N/A	N/A	4	414	0.1	414
						3,378	1.0	3,377
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

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Consolidated Schedule of Investments (Continued)
September 30, 2011
(In thousands)

	Investment Type	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Principal Amount / Shares / Contracts	Cost	Percentage of Total Net Assets	Fair Value
Retail Stores								
Rubio's Restaurants, Inc.	Preferred stock	N/A	N/A	N/A	199	945	0.3	799
Vision Source L.P.	Common stock	N/A	N/A	N/A	9	936	0.3	936
						1,881	0.6	1,735
Total equity investments United States						$9,420	3.0 %	$9,390
Total United States						$460,213	144.4 %	$457,028
Total investments						$462,961	145.2 %	$459,827
Derivatives, at fair value Futures contracts sold (Note 7)	Financial futures contracts	N/A	N/A	12/2011	250	$	(0.1) %	$(141)
Total return swap (Note 7)	Total return swap	N/A	N/A	06/2014	N/A	$	(0.7) %	$(1,845)
Total derivative instruments						$	(0.7) %	$(1,986)

* 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, 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 September 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 September 30, 2011. As such, no interest is being earned on this investment.

(5) Loan was on non-accrual status as of September 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 PIK rate option.

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(In thousands, except shares and per share data)

Note 1. Organization

Golub Capital BDC, Inc. (GBDC and, collectively 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 U.S. federal income 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 completed its initial public offering (the Offering).

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.

The Company s investment strategy is to invest in senior secured, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), second lien and 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) loans and warrants and equity securities 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. Significant Accounting Policies and Recent Accounting Updates

Basis of presentation: The accompanying 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) and pursuant to the requirements for reporting on Form 10-K 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.

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(In thousands, except shares and per share data)

Note 2. Significant Accounting Policies and Recent Accounting Updates (continued)

Fair value of financial instruments: The Company applies fair value to 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 and the Company s board of directors (the Board) 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 ASC Topic 946 *Financial Services 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 ASC Topic 860 *Transfers and Servicing* requirements for accounting sale treatment are reflected in the Company s consolidated statements of financial condition 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).

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 deposits 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 the Company s small business investment company (SBIC). This

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Note 2. Significant Accounting Policies and Recent Accounting Updates (continued)

amount is generally restricted to the originations of new loans from the SBIC and the payment of U.S. Small Business Administration (SBA) debentures and related interest expense.

Revenue recognition:

Investments and related investment income: 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. All other income is recorded into income when earned. The Company records prepayment premiums on loans as interest income. When the Company receives principal payments on a loan in an amount that exceeds the loan s accreted or amortized cost, it records the excess principal payment as interest income. For the years ended September 30, 2012, 2011 and 2010, interest income included $5,089, $5,074 and $7,654, respectively, of accretion of discounts.

As of September 30, 2012 and 2011, the Company had interest receivable of $3,906 and $3,063, respectively. For the years ended September 30, 2012, 2011 and 2010, the Company earned interest of $57,482, $39,150 and $33,150, respectively. For the years ended September 30, 2012, 2011 and 2010, the Company received interest in cash, which excludes income from amortization of loan origination fees, original issue discount and market discount or premium, in the amounts of $50,338, $37,103 and $33,067, respectively. For the years ended September 30, 2012, 2011 and 2010, the Company received loan origination fees of $8,306, $5,346 and $3,068 respectively. These loan origination fees are capitalized and amortized over the life of the loan as interest income.

For investments with contractual PIK interest, 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 years ended September 30, 2012, 2011 and 2010, the Company recorded PIK income of $2,100, $940 and $325, respectively, and received PIK payments in cash of $888, $344 and $38, respectively.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. For the years ended September 30, 2012, the Company recorded dividend income of $377. The Company did not earn dividend income for the years ended September 30, 2011 and 2010.

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 current period 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.

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 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 $3,222 and $2,891 as of September 30, 2012 and 2011, respectively.

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Note 2. Significant Accounting Policies and Recent Accounting Updates (continued)

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 retain taxable income in excess of current year dividend distributions into the next tax year in an amount less than what would trigger payments of federal income tax under subchapter M of the Code. The Company would then 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 may exceed estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the years ended September 30, 2012, 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 through September 30, 2012. The 2009, 2010 and 2011 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 under the guidelines of 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).

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Note 2. Significant Accounting Policies and Recent Accounting Updates (continued)

Deferred financing costs: Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company s borrowings. As of September 30, 2012 and 2011, the Company had deferred financing costs of $5,898 and $5,345, 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 years ended September 30, 2012, 2011 and 2010 was $1,455, $848 and $134, respectively.

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. As of September 30, 2012 and 2011, deferred offering costs, which are included in other assets on the consolidated statements of financial condition, were $130 and $272, respectively.

Accounting for derivative instruments: The Company does not utilize hedge accounting and marks its derivatives to market through net change in unrealized appreciation (depreciation) on derivative instruments in the consolidated statements of operations. For additional information on derivative instruments, refer to Note 7.

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 Board reapproved the Investment Advisory Agreement on February 2, 2012. The Investment Adviser is a registered investment adviser with the Securities and Exchange Commission (the SEC).

The Investment Adviser 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 the Company. The Investment Adviser and its affiliates may determine that an investment is appropriate for the Company 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 the Investment Adviser s allocation policy, the Investment Adviser or its affiliates may determine that the Company should invest side-by-side with one or more other accounts. The Company does 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 the Investment Adviser s allocation procedures.

The Investment Adviser receives fees for providing services, consisting of two components, a base management fee and an Incentive Fee (as defined below).

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 (including assets purchased with borrowed funds and securitization-related assets, leverage, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian but adjusted to exclude cash and cash equivalents so that investors do not pay the base management fee on such assets) and is payable quarterly in arrears. Such amount is adjusted, based on the actual number of days elapsed relative to the total number of days in such calendar quarter, for any share issuances or repurchases during such calendar quarter. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper instruments maturing within 270 days of purchase (which is different than the GAAP definition, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). 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 will

Golub Capital BDC, Inc. and Subsidiaries

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Note 3. Related Party Transactions (continued)

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.

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 April 13, 2010, 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 under the Income and Capital Gain Incentive Fee Calculation (as defined below) to a cap (the Incentive Fee Cap). The Incentive Fee Cap in any quarter is equal to 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 April 13, 2010. 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 (as defined below) for each period since April 13, 2010 and (b) cumulative aggregate realized capital gains, cumulative aggregate realized capital losses, cumulative aggregate unrealized capital depreciation and cumulative aggregate unrealized capital appreciation since April 13, 2010.

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 an administration agreement (the Administration Agreement) with GC Service Company, LLC (the Administrator), 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).

The income and capital gains incentive fee calculation (the Income and Capital Gain Incentive Fee Calculation) has two parts, the income component (the Income Incentive Fee) and the capital gains component (the Capital Gain Incentive Fee and, together with the Income Incentive Fee, the Incentive Fee). The Income Incentive Fee is calculated quarterly in arrears based on the Company s Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. As described in Note 7 Derivative Instruments, in June 2011, the Company entered into a total return swap (the TRS) with Citibank, N.A. (Citibank) for the purpose of gaining economic exposure to a portfolio of broadly syndicated loans. The TRS was subsequently terminated on April 11, 2012. For purposes of the computation of the Incentive Fee, the Company:

treated the interest spread, which represents the difference between the interest and fees received on the reference assets underlying the TRS and the interest paid to Citibank on the settled notional value of the TRS, as part of the Income Incentive Fee; and

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Note 3. Related Party Transactions (continued)

treated the realized gains and losses on the sale or maturity of reference assets underlying the TRS and futures contracts as part of the Capital Gain Incentive Fee.

For the periods ending September 30, 2011 and prior, the Company had included interest spread payments from the TRS in the Capital Gain Incentive Fee as this is consistent with GAAP, which records such payments in net realized gains/(losses) on derivative instruments in the consolidated statement of operations. However, the Company changed its methodology in the first quarter of fiscal year 2012 pursuant to discussions with the staff of the SEC, resulting in the TRS interest spread payments being included in the Income Incentive Fee.

For the year ended September 30, 2012, the Company received interest spread payments of $2,635. For the three months ended December 31, 2011, including the interest spread payments from the TRS in the Income Incentive Fee caused an increase in the Incentive Fee by $647 as the Company was in the catch-up provision as described below. Upon reviewing the Income and Capital Gain Incentive Fee Calculation and the treatment of the interest spread payments from the TRS, the Investment Adviser irrevocably waived the incremental portion of the Incentive Fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the year ended September 30, 2012, after taking into account the waiver by the Investment Adviser, the Income Incentive Fee was $6,228, rather than $6,875. The Income Incentive Fee for the years ended September 30, 2011 and 2010 was $348 and $55, respectively.

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 Incentive Fee, 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 Incentive Fee 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, the Company 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. The Company s Pre-Incentive Fee Net Investment Income used to calculate this part of the Incentive Fee is also included in the amount of its total assets (excluding cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian) used to calculate the 1.375% base management fee annual rate.

The Company calculates the Income Incentive Fee with respect to its 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
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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.

The Capital Gain Incentive Fee equals (a) 20.0% of the Company s Capital Gain Incentive Fee Base (as defined below), 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 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 April 13, 2012 through the end of each calendar year. For the years ended September 30, 2012, 2011 and 2010, the Capital Gain Incentive Fee was zero.

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

As described above, 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 Investment Income since the effective date of the Company s 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 the Administration Agreement. 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, 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. As permitted by the Administration Agreement, beginning January 1, 2012, the Administrator began charging the allocable portion of the cost of the Company s chief

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Note 3. Related Party Transactions (continued)

compliance officer and chief financial officer and their respective staffs to the Company. 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 cost of the services provided, not to exceed the amount GBDC receives from such portfolio companies.

Included in accounts payable and accrued expenses is $507 and $226 as of September 30, 2012 and 2011, respectively, for accrued allocated shared services under the Administration Agreement. The administrative service fee expense under the Administration Agreement for the years ended September 30, 2012, 2011 and 2010 was $1,713, $837 and $583, respectively.

Other related party transactions: 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 expenses directly. These expenses are subsequently reimbursed in cash.

Total expenses reimbursed to the Investment Manager during the years ended September 30, 2012, 2011 and 2010 were $466, $345 and $639, respectively. Of these amounts, during the years ended September 30, 2012, 2011 and 2010, zero, zero and $225, respectively, were reimbursed via a members equity contribution.

As of September 30, 2012 and 2011, included in accounts payable and accrued expenses were $40 and $65, respectively, for accrued expenses paid on behalf of the Company by the Investment Manager.

Note 4. Investments

Investments consisted of the following:

	September 30, 2012			September 30, 2011		
	Par	Cost	Fair Value	Par	Cost	Fair Value
Senior secured	$ 280,579	$ 275,736	$ 273,989	$ 212,725	$ 209,729	$ 203,831
One stop	267,393	262,876	265,705	178,854	176,393	177,880
Second lien[(1)]	44,856	43,348	44,367	21,922	21,531	21,922
Subordinated debt	68,859	67,815	67,424	46,804	45,888	46,804
Equity	N/A	20,066	21,425	N/A	9,420	9,390

Total	$ 661,687	$ 669,841	$ 672,910	$ 460,305	$ 462,961	$ 459,827

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

The Company has invested in portfolio companies located in the United States and in Canada. The following tables, which exclude derivative instruments, show the portfolio composition by geographic region at cost and fair value as a percentage of total investments in portfolio companies. 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.

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Note 4. Investments (continued)

	September 30, 2012			September 30, 2011		
Cost:						
United States						
Mid-Atlantic	$ 76,509	11.5	%	$ 66,782	14.4	%
Midwest	152,119	22.7		112,550	24.3	
West	120,228	17.9		80,242	17.3	
Southeast	178,316	26.6		89,133	19.3	
Southwest	84,424	12.6		74,907	16.2	
Northeast	54,927	8.2		36,599	7.9	
Canada	3,318	0.5		2,748	0.6	
Total	$ 669,841	100.0	%	$ 462,961	100.0	%
Fair Value:						
United States						
Mid-Atlantic	$ 72,671	10.8	%	$ 66,906	14.5	%
Midwest	152,527	22.6		112,534	24.5	
West	122,371	18.2		78,329	17.0	
Southeast	181,398	27.0		89,735	19.5	
Southwest	85,633	12.7		72,467	15.8	
Northeast	56,367	8.4		37,057	8.1	
Canada	1,943	0.3		2,799	0.6	
Total	$ 672,910	100.0	%	$ 459,827	100.0	%

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Note 4. Investments (continued)

The industry compositions of the portfolio at fair value, excluding derivative instruments, were as follows:

	September 30, 2012			September 30, 2011		
Cost:						
Aerospace and Defense	$8,715	1.3	%	$2,513	0.5	%
Automobile	23,199	3.5		8,255	1.8	
Banking	1,329	0.2		1,237	0.3	
Beverage, Food and Tobacco	49,685	7.4		31,467	6.8	
Broadcasting and Entertainment	3,969	0.6				
Buildings and Real Estate	7,391	1.1		24,522	5.3	
Cargo Transport	1,667	0.2		2,137	0.4	
Chemicals, Plastics and Rubber	8,920	1.3		13,868	3.0	
Containers, Packaging and Glass	4,451	0.7		4,725	1.0	
Diversified Conglomerate Manufacturing	40,923	6.1		28,550	6.2	
Diversified Conglomerate Service	74,781	11.2		50,904	11.0	
Diversified Natural Resources, Precious Metals and Minerals	4,482	0.7		4,753	1.0	
Electronics	63,142	9.4		36,293	7.8	
Farming and Agriculture	2,782	0.4		2,931	0.6	
Finance	14,363	2.2		7,145	1.5	
Healthcare, Education and Childcare	124,758	18.6		88,436	19.1	
Home and Office Furnishings, Housewares and Durable Consumer	6,230	0.9		11,490	2.5	
Leisure, Amusement, Motion Pictures and Entertainment	39,659	5.9		22,772	4.9	
Mining, Steel, Iron and Non-Precious Metals	8,737	1.3				
Oil and Gas				16,460	3.6	
Personal and Non-Durable Consumer Products	20,509	3.1		22,752	4.9	
Personal, Food and Miscellaneous Services	12,427	1.9		19,247	4.2	
Personal Transportation	44,159	6.6				
Printing and Publishing	12,323	1.8		14,643	3.2	
Retail Stores	83,165	12.4		43,454	9.4	
Telecommunications	2,984	0.4		4,407	1.0	
Utilities	5,091	0.8				
Total	$669,841	100.0	%	$462,961	100.0	%
Fair Value:						

Aerospace and Defense	$8,969	1.3 %	$2,664	0.6 %
Automobile	23,567	3.5	8,096	1.8
Banking	521	0.1	928	0.2
Beverage, Food and Tobacco	50,686	7.5	31,790	6.9
Broadcasting and Entertainment	3,992	0.6		
Buildings and Real Estate	6,266	0.9	20,924	4.6
Cargo Transport	1,686	0.3	2,102	0.5
Chemicals, Plastics and Rubber	9,070	1.3	13,990	3.0
Containers, Packaging and Glass	4,508	0.7	4,803	1.0
Diversified Conglomerate Manufacturing	41,583	6.2	28,335	6.2
Diversified Conglomerate Service	76,002	11.3	51,332	11.2
Diversified Natural Resources, Precious Metals and Minerals	4,593	0.7	4,881	1.1
Electronics	64,398	9.6	36,614	8.0
Farming and Agriculture	2,814	0.4	2,972	0.6
Finance	10,779	1.6	6,784	1.5
Healthcare, Education and Childcare	126,518	18.8	86,523	18.8
Home and Office Furnishings, Housewares and Durable Consumer	6,138	0.9	11,536	2.5
Leisure, Amusement, Motion Pictures and Entertainment	38,925	5.8	23,178	5.0
Mining, Steel, Iron and Non-Precious Metals	8,845	1.3		
Oil and Gas			16,737	3.6
Personal and Non-Durable Consumer Products	20,383	3.0	22,880	5.0
Personal, Food and Miscellaneous Services	44,746	6.6	19,377	4.2
Personal Transportation	12,652	1.9		
Printing and Publishing	12,435	1.8	14,875	3.2
Retail Stores	84,637	12.6	44,153	9.6
Telecommunications	3,033	0.5	4,353	0.9
Utilities	5,164	0.8		
Total	$672,910	100.0%	$459,827	100.0%

Golub Capital BDC, Inc. and Subsidiaries

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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 assets or liabilities or market and the assets or liabilities complexity. The Company s fair value analysis includes an analysis of the value of any unfunded loan commitments. Assets and liabilities 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 asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

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

Level 3: Inputs include significant unobservable inputs for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. 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 asset s or a liability s categorization 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 asset or liability. The Company assesses the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfers. There were no transfers among level 1, 2 and 3 of the fair value hierarchy for investments during the years ended September 30, 2012, 2011 and 2010. The following section describes the valuation techniques used by the Company to measure different assets and liabilities at fair value and includes the level within the fair value hierarchy in which the assets and liabilities are categorized.

Level 1 assets and liabilities are valued using quoted market prices. Level 2 assets and liabilities are valued using market consensus prices that are corroborated by observable market data and quoted market prices for similar assets and liabilities. Level 3 assets and liabilities 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 debt and equity securities without readily available market quotations subject to review by an independent valuation firm. All assets and liabilities as of September 30, 2012 and 2011 were valued using Level 3 inputs of the fair value hierarchy.

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 valuable 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

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Note 5. Fair Value Measurements (continued)

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.

On April 11, 2012, the Company terminated its TRS with Citibank. The referenced portfolio of loans of the TRS was valued by Citibank. Citibank based its valuation on the indicative bid prices provided by an independent third party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations were sent to the Company and its Board for review and testing. The Board reviewed and approved the value of the TRS, as well as the value of the loans underlying the TRS, on a quarterly basis as part of its quarterly determination of net asset value. For additional disclosures on the Company s TRS, refer to Note 7 Derivative Instruments.

Fair value of the Company s debt is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if available.

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 assets and liabilities that do not have a readily available market value, the fair value of the assets and liabilities may differ significantly from the values that would have been used had a ready market existed for such assets and liabilities and may differ materially from the values that may ultimately be received or settled. Further, such assets and liabilities 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, borrowings and derivatives are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments, borrowings and derivatives are traded.

The following table presents fair value measurements of the Company s investments and derivative instruments and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

As of September 30, 2012:	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Debt investments[1]	$	$	$ 651,485	$ 651,485
Equity investments[1]			21,425	21,425
	$	$	$ 672,910	$ 672,910

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Note 5. Fair Value Measurements (continued)

As of September 30, 2011:	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Debt investments[1]	$	$	$ 450,437	$ 450,437
Equity investments[1]			9,390	9,390
Derivative instruments[2]	(141)		(1,845)	(1,986)
	$ (141)	$	$ 457,982	$ 457,841

(1) Refer to the consolidated schedules of investments for further details.
(2) Derivative instruments include futures contracts and the TRS. Refer to Note 7 for additional disclosures.

The net change in unrealized appreciation (depreciation) for the years ended September 30, 2012, 2011 and 2010 reported within the net change in unrealized appreciation (depreciation) on investments and the net change in unrealized appreciation (depreciation) on derivative instruments in the Company s consolidated statements of operation attributable to the Company s Level 3 assets held at the end of year was $474, $426 and $1,263, respectively.

The following table presents the changes in investments measured at fair value using Level 3 inputs for the years ended September 30, 2012 and 2011:

	Year ended September 30, 2012			
	Debt Investments	Equity Investments	Derivative Instruments[1]	Total
Fair value, beginning of period	$ 450,437	$ 9,390	$ (1,845)	$ 457,982
Net change in unrealized appreciation on investments and derivative instruments	3,407	1,863	1,845	7,115
Realized (loss) gain on investments and derivative instruments	(4,979)	(488)	3,854	(1,613)
Fundings of revolving loans, net	3,228			3,228
PIK interest	914			914
Fundings of investments	383,629	11,929		395,558
Proceeds from principal payments and sales of portfolio investments	(190,240)	(1,269)		(191,509)
Proceeds from derivative instruments[1]			(3,854)	(3,854)
Amortization of discount and premium	5,089			5,089
Fair value, end of period	$ 651,485	$ 21,425	$	$ 672,910

(1) Refer to Note 7 for additional disclosures.

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Note 5. Fair Value Measurements (continued)

	Year ended September 30, 2011			
	Debt Investments	Equity Investments	Derivative instruments[1]	Total
Fair value, beginning of period	$342,233	$ 2,636	$	$344,869
Net change in unrealized (depreciation) appreciation on investments	(1,499)	(29)	(1,845)	(3,373)
Realized gain on investments	1,997		40	2,037
Fundings of revolving loans, net	278			278
PIK interest	759			759
Fundings of investments	319,479	6,783		326,262
Proceeds from principal payments and sales of portfolio investments	(217,884)			(217,884)
Proceeds from derivative instruments[1]			(40)	(40)
Amortization of discount and premium	5,074			5,074
Fair value, end of period	$450,437	$ 9,390	$ (1,845)	$457,982

(1) Refer to Note 7 for additional disclosures.

The following table presents quantitative information about the significant unobservable inputs of the Company s level 3 investments as of September 30, 2012. The below table is not intended to be all-inclusive, but rather to provide information on significant unobservable inputs and valuation techniques used by the Company.

Quantitative information about Level 3 Fair Value Measurements

	Fair value at September 30, 2012	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Senior secured loans[1][2]	$ 216,063	Market comparable companies	EBITDA multiples	4.5 - 14.5 (8.5)
		Market rate approach	Market interest rate	2.7% - 28.0% (7.9%)
One stop loans	$ 265,705	Market comparable companies	EBITDA multiples	4.7 - 14.5 (8.9)
		Market rate approach	Market interest rate	5.2% - 23.0% (8.9%)

Subordinated and second lien loans[3][4]	$ 97,946	Market comparable companies	EBITDA multiples	6.5 - 11.0 (8.4)
		Market rate approach	Market interest rate	8.0% - 21.0% (12.8%)
Equity securities	$ 21,425	Market comparable companies	EBITDA multiples	4.5 - 14.5 (9.0)

(1) Excludes $56,058 of loans at fair value, which the Company valued using indicative bid and ask prices provided by an independent third party pricing service.

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Note 5. Fair Value Measurements (continued)

(2) Excludes $1,868 of loans at fair value. These loans were valued on a liquidation basis.

(3) Excludes $12,151 of loans at fair value, which the Company valued using indicative bid and ask prices provided by an independent third party pricing service.

(4) Excludes $1,694 of non-accrual loans at fair value. These loans were valued on a liquidation basis.

The significant unobservable inputs used in the fair value measurement of the Company s debt and equity securities are earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and market interest rates. The Company uses EBITDA multiples on its loans and equity securities to determine any credit gains or losses. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement. The Company uses market interest rates for loans to determine if the effective yield on a loan is commensurate with the market yields for that type of loan. If a loan s effective yield is significantly less than the market yield for a similar loan with a similar credit profile, then the resulting fair value of the loan may be lower.

The following are the carrying values and fair values of the Company s debt liabilities as of September 30, 2012 and 2011. Fair value is estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if available.

	As of September 30, 2012		As of September 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt	$ 352,300	$ 358,046	$ 237,683	$ 240,373

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. On September 13, 2011, the Company received exemptive relief from the SEC allowing it to modify the asset coverage requirement to exclude the SBA debentures from this calculation. As such, the Company s ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides the Company with increased investment flexibility but also increases its risks related to leverage. As of September 30, 2012, the Company s asset coverage for borrowed amounts was 263.2%.

Debt Securitization: On July 16, 2010, the Company completed a $300,000 term debt securitization (Debt Securitization). The notes (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 which bear interest at three-month 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 September 30, 2012 and 2011 consolidated statements of financial condition. 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 Debt Securitization for such three-year period. The Notes are scheduled to mature on July 20, 2021.

Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements *(In thousands, except shares and per share data)*

Note 6. Borrowings (continued)

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 September 30, 2012 and 2011, there were 81 and 79 portfolio companies with a total fair value of $290,097 and $284,288, 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 September 30, 2012 was 0.4%. For the year ended September 30, 2012, the effective average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.3%, interest expense was $5,063 and cash paid for interest was $4,990. For the year ended September 30, 2011, the effective average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.2%, interest expense was $4,970 and cash paid for interest was $5,201. For the period from July 16, 2010 to September 30, 2010, the effective average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.1%, interest expense was $1,167 and cash paid for interest was zero.

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: 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 as an 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 the 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.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is $225,000 and the maximum amount that may be issued by a

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Note 6. Borrowings (continued)

single SBIC licensee is $150,000. An affiliate of the Investment Adviser manages another SBIC. As of September 30, 2012, the affiliated SBIC licensee had $41,600 of SBA-guaranteed debentures outstanding, while GC SBIC IV, L.P. had $123,500 of outstanding SBA-guaranteed debentures, leaving incremental borrowing capacity of $26,500 for GC SBIC IV L.P. to reach its cap of $150,000 of SBA-guaranteed debentures under present SBIC regulations. As of September 30, 2011, GC SBIC IV, L.P. had $61,300 of outstanding SBA-guaranteed debentures. On August 24, 2010, the date GC SBIC IV, L.P. received its license from the SBA, the SBA restricted the affiliated SBIC licensee from making new investments. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies.

GC SBIC IV, L.P. may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements. As of September 30, 2012, the Company had committed and funded $75,000 to GC SBIC IV, L.P. and had SBA-guaranteed debentures of $123,500 outstanding which mature between March 2021 and September 2022. The interest rate on the $123,500 of outstanding debentures was fixed at an average interest rate of 3.4%. For the years ended September 30, 2012 and 2011, the effective average interest rate, which includes amortization of fees paid on the debentures, was 3.5% and 3.0%, interest expense was $3,328 and $626 and cash paid for interest was $3,121 and $550, respectively. There were no SBA debentures outstanding as of September 30, 2010.

Revolving Credit Facility: On July 21, 2011, Golub Capital BDC Funding LLC (Funding), a wholly owned subsidiary of the Company, entered into a $75,000 senior secured revolving credit facility (as amended, the Credit Facility) with Wells Fargo Securities, LLC, as administrative agent, and Wells Fargo Bank, N.A., as lender.

Under the Credit Facility, the lender has agreed to extend credit to Funding in an aggregate principal amount of $75,000. Previously, Funding s ability to draw under the Credit Facility was scheduled to terminate on October 21, 2012 with a stated maturity date of October 21, 2015. Effective October 21, 2012, the Company and Funding amended the Credit Facility to, among other things, extend Funding s ability to draw under the Credit Facility from October 21, 2012 to October 21, 2013 and to extend the stated maturity date from October 21, 2015 to October 20, 2017. Refer to Note 14 for additional disclosures.

The period from the closing date until October 21, 2013 is referred to as the reinvestment period. All amounts outstanding under the Credit Facility are required to be repaid by October 20, 2017. Through the reinvestment period, the Credit Facility bears interest at one-month 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. In addition to the stated interest expense on the Credit Facility, the Company is required to pay a fee of 0.50% per annum on any unused portion of the Credit Facility up to $30,000 and 2.00% on any unused portion in excess of $30,000. 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 1940 Act.

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 and may cause Funding to originate or acquire loans in the future, consistent with the Company s investment objectives.

As of September 30, 2012 and 2011, the Company had outstanding debt under the Credit Facility of $54,800 and $2,383, respectively. For the years ended September 30, 2012 and 2011, the Company had borrowings on the Credit Facility of $116,117 and $2,383 and repayments on the Credit Facility of $63,700 and zero, respectively. For the year ended September 30, 2012, the effective average interest rate on outstanding

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Note 6. Borrowings (continued)

borrowings, which includes amortization of debt financing costs, was 2.9%, interest expense was $935 and cash paid for interest was $890. For the year ended September 30, 2011, the effective average interest rate on outstanding borrowings, which includes amortization of debt financing costs, was 2.9%, interest expense was $76 and cash paid for interest was $52.

The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the years ended September 30, 2012, 2011 and 2010 was $306,969, $201,294 and $213,793, respectively.

For the years ended 2012, 2011 and 2010, the effective average interest rate on the Company s total debt outstanding was 3.5%, 3.3% and 1.7%, respectively.

A summary of the Company s maturity requirements for borrowings as of September 30, 2012 is as follows:

	Payments Due by Period				
	Total	Less Than 1 Year	1 3 Years	3 5 Years	More Than 5 Years
Debt Securitization	$ 174,000	$	$	$	$ 174,000
SBA debentures	123,500				123,500
Credit Facility[(1)]	54,800			54,800	
Total borrowings	$ 352,300	$	$	$ 54,800	$ 297,500

(1) Effective October 21, 2012, the stated maturity date on the Credit Facility was extended to October 20, 2017. Refer to Note 15. Subsequent Events for additional disclosures.

Note 7. Derivative Instruments

The Company had sold or terminated all of its derivative instruments as of September 30, 2012. The following table summarizes the fair value and location of the Company s derivative instruments on the consolidated statements of financial condition as of September 30, 2011:

	September 30, 2011	
	Location	Fair Value
Futures Contracts	Unrealized appreciation (depreciation) on derivative instruments	$ (141)
TRS	Unrealized appreciation (depreciation)	(1,845)

	on derivative instruments	
Total		$ (1,986)

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Note 7. Derivative Instruments (continued)

Realized and unrealized gains and losses on derivative instruments recorded by the Company are in the following location on the consolidated statements of operations:

	Location	Years ended September 30, 2012 Realized Gain (Loss)	2011	Location	Years ended September 30, 2012 Unrealized Gain (Loss)	2011
Futures Contracts	Net realized loss on derivative instruments	$(1,759)	$	Net change in unrealized appreciation (depreciation) on derivative instruments	$141	$(141)
TRS	Net realized gain on derivative instruments	3,854	40	Net change in unrealized appreciation (depreciation) on derivative instruments	1,845	(1,845)
		$2,095	$ 40		$1,986	$(1,986)

Futures contracts: In September 2012, the Company sold its remaining ten-year U.S. Treasury futures contracts. The Company had entered into the futures contracts to mitigate its exposure to adverse fluctuation in interest rates related to the Company s SBA debentures. The cash collateral underlying the futures contracts was returned to the Company.

Based on the daily fluctuation of the fair value of the futures contracts, the Company recorded an unrealized gain or loss equal to the daily fluctuation in fair value. Upon maturity or settlement of the futures contracts, the Company realized a gain or loss based on the difference of the fair value of the futures contracts at inception and the fair value of the futures contracts at settlement or maturity. This gain or loss is included on the consolidated statements of operations as net realized gain (loss) on derivative instruments.

For the years ended September 30, 2012 and 2011, the realized loss on settlement of futures contracts was $(1,759) and zero, respectively, and the change in unrealized appreciation (depreciation) related to the futures contracts was $141 and $(141), respectively. The Company s total volume of futures contracts was eight hundred and sixty-three and two hundred and fifty for the years ended September 30, 2012 and 2011, respectively.

Total return swap: On April 11, 2012, GCMF terminated the TRS that it had entered into with Citibank.

GCMF entered into the TRS 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 referenced by 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.

The Company received from Citibank all interest and fees payable in respect of the loans included in the portfolio. The Company paid 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. Upon termination of the TRS, the Company received from Citibank the net appreciation in the value of the referenced loans. On a quarterly basis, net payment between the Company and Citibank for interest and realized appreciation and depreciation on the portfolio of loans occurs.

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Note 7. Derivative Instruments (continued)

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

For GAAP purposes, realized gains and losses on the TRS are composed of any gains or losses on the referenced portfolio of loans as well as the net interest received or owed at the time of the quarterly settlement. For GAAP purposes, 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 referenced portfolio of loans.

For the years ended September 30, 2012 and 2011, the change in the fair value of the TRS was $1,845 and $(1,845), respectively. Realized gains on the TRS for the year ended September 30, 2012 were $3,854, which consisted of spread interest income of $2,635 and a realized gain of $1,219 on the sale of the referenced loans. Realized gains on the TRS for the year ended September 30, 2011 were $40, which consisted of spread interest income of $44 and a realized loss of $(4) on the sale of the referenced loans. As of September 30, 2011, the fair value of the TRS was $(1,845), comprised of spread interest income of $591 and an unrealized loss on the referenced loans of $(2,436).

Upon termination, cash collateral of $19,912 that had secured the obligations to Citibank under the TRS was returned to the Company and was used to fund new middle-market debt and equity investments.

Note 8. Federal Income Tax Matters

The Company has elected to be treated as a RIC under Subchapter M of the Code, and to distribute substantially all of its respective net taxable income. Accordingly, no provision for federal income tax has been made in the financial statements.

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may differ from amounts determined in accordance with GAAP and those differences could be material. These book-to-tax differences are either temporary or permanent in nature. Reclassification due to permanent book-tax differences, including the tax treatment on income from the TRS and return of capital, have no impact on net assets. The following differences were reclassified for tax purposes for the years ended September 30, 2012, 2011 and 2010:

	Years ended September 30,		
	2012	2011	2010
Decrease in Paid in Capital in Excess of Par	$(1,111)	$	$ (1,122)
Increase in Capital Distribution in Excess of Net Investment	4,425	40	1,122

Income		
Decrease in Net Realized Gain (Loss) on Investments and Derivative Instruments	(3,314)	(40)

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(In thousands, except shares and per share data)

Note 8. Federal Income Tax Matters (continued)

Taxable income differs from net increase (decrease) in net assets resulting from operations primarily due to unrealized appreciation (depreciation) on investments as investment gains and losses are not included in taxable income until they are realized. The following table reconciles net increase in net assets resulting from operations to taxable income for the years ended September 30, 2012, 2011 and 2010:

	Years ended September 30,		
	2012	2011	2010
Net increase in net assets resulting from operations	$ 31,760	$ 21,339	$ 26,248
Net increase in net assets resulting from operations for the period October 1, 2009 to April 13, 2010			(15,673)
Net change in unrealized (appreciation) depreciation on investments	(5,270)	1,528	(1,995)
Net change in unrealized (appreciation) depreciation on derivative instruments	(1,986)	1,986	
Book/tax difference due to capital losses not recognized	6,545		40
Other book-tax differences	(788)	439	
Taxable income before deductions for distributions	$ 30,261	$ 25,292	$ 8,620

The tax character of distributions paid during the years ended September 30, 2012, 2011 and 2010 were as follows:

	As of September 30,		
	2012	2011	2010
Ordinary Income	$ 30,484	$ 23,254	$ 8,620
Long-Term Capital Gains	$	$ 1,815	$
Return of Capital	$ 1,072	$	$ 1,122

As of September 30, 2012, the tax basis components of distributable earnings / (accumulated losses) were as follows:

	As of September 30, 2012 Amount
Net unrealized appreciation on investments and derivatives	$ 6,084
Post-October losses deferred	(6,545)
Total	$ (461)

As of September 30, 2012, the Federal tax cost of investments was $669,494 resulting in estimated gross unrealized gains and losses of $12,509 and $9,092, respectively.

The differences between the components of distributable earnings on a tax basis and the amounts reflected in the consolidated statements of changes in net assets are primarily due to temporary book-tax differences that will reverse in a subsequent period. These book-tax differences are mainly due to a portfolio company investment in a partnership and late-year loss deferrals.

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Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands, except shares and per share data)

Note 9. Commitments and Contingencies

Commitments: The Company had outstanding commitments to fund investments totaling $56,547 and $49,449 under various undrawn revolvers and other credit facilities as of September 30, 2012 and 2011, 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.

Off-balance sheet risk: Off-balance sheet risk refers to an unrecorded potential liability that may result in a future obligation or loss, even though it does not appear on the statements of financial condition. The Company has entered and, in the future, may again enter into derivative instruments that contain elements of off-balance sheet market and credit risk. Derivative instruments can be affected by market conditions, such as interest rate volatility, which could impact the fair value of the derivative instruments. If market conditions move against the Company, it may not achieve the anticipated benefits of the derivative instruments and may realize a loss. The Company minimizes market risk through monitoring its investments.

Concentration of credit and counterparty risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company was engaged and, in the future, may engage again in derivative transactions with counterparties. In the event that the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparties or issuers of the instruments. The Company s maximum loss that it could incur related to counterparty risk on its derivative instruments is the value of the collateral for that respective derivative 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 any disposition will have a material adverse effect on the Company s consolidated financial statements.

Note 10. Financial Highlights

The financial highlights for the Company are as follows:

	Years ended September 30,				
Per share data[1]:	2012	2011	2010	2009	2008

Net asset value at beginning of period	$14.56	$ 14.71	N/A [4]	N/A [4]	N/A [4]
Net increase in net assets as a result of public offering	0.04	0.06	N/A [4]	N/A [4]	N/A [4]
Costs related to public offering	(0.03)	(0.04)	N/A [4]	N/A [4]	N/A [4]
Dividends and distributions declared	(1.28)	(1.27)	N/A [4]	N/A [4]	N/A [4]
Net investment income	1.15	1.16	N/A [4]	N/A [4]	N/A [4]
Net realized (loss) gain on investments	(0.23)	0.11	N/A [4]	N/A [4]	N/A [4]
Net realized gain on derivative instruments	0.09		N/A [4]	N/A [4]	N/A[4]

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Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands, except shares and per share data)

Note 10. Financial Highlights (continued)

Per share data[1]:	Years ended September 30, 2012		2011		2010		2009		2008	
Net change in unrealized appreciation (depreciation) on investments	0.22		(0.08	)	N/A	[4]	N/A	[4]	N/A	[4]
Net change in unrealized appreciation (depreciation) on derivative instruments	0.08		(0.09	)	N/A	[4]	N/A	[4]	N/A	[4]
Net asset value at ending of period	$14.60		$14.56		$14.71		N/A	[4]	N/A	[4]
Per share market value at end of period	$15.90		$14.85		$15.30		N/A	[4]	N/A	[4]
Total return based on market value[2]	15.69	%	5.36	%	N/A	[4]	N/A	[4]	N/A	[4]
Total return based on average net asset value/members' equity	8.86	%	7.30	%	14.33	%	29.57	%	(9.82	)%
Shares outstanding at end of period	25,688,101		21,733,903		17,712,444		N/A	[4]	N/A	[4]
Ratios/Supplemental Data:										
Ratio of expenses (without incentive fees) to average net assets/members' equity	6.63	%	5.47	%	5.31	%	11.61	%	30.59	%
Ratio of incentive fees to average net assets/members' equity[3]	1.74	%	0.12	%	0.03	%	N/A		N/A	
Ratio of total expenses to average net assets/members' equity[3]	8.37	%	5.59	%	5.34	%	11.61	%	30.59	%
Ratio of net investment income to average net assets/members' equity	7.78	%	7.80	%	12.79	%	37.64	%	28.87	%
Net assets at end of period	$375,129		$316,549		$260,541		$92,752		$16,853	
Average debt outstanding	$306,969		$201,294		$213,793		$305,440		$191,225	
Average debt outstanding per share	$11.95		$9.26		$12.07		N/A	[4]	N/A	[4]

Portfolio turnover	32.55	%	56.90	%	44.73	%	30.20	%	221.36	%

(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) During the year ended September 30, 2012, the Investment Adviser irrevocably waived $647 of incentive fees attributable to the TRS. Had the Investment Adviser not waived these fees, the annualized ratio of incentive fees to average net assets and the annualized ratio of total expenses to average net assets would have been 1.92% and 8.55%, respectively, for the year ended September 30, 2012.

(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.

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Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements *(In thousands, except shares and per share data)*

Note 11. Earnings Per Share

The following information sets forth the computation of the net increase in net assets per share resulting from operations for the years ended September 30, 2012 and 2011:

	Years ended September 30, 2012	2011
Earnings available to stockholders	$ 31,760	$ 21,339
Basic and diluted weighted average shares outstanding	24,271,251	19,631,797
Basic and diluted earnings per share	$ 1.31	$ 1.09

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

Note 12. Public Offerings

The following table summarizes the total shares issued and proceeds received net of underwriting and offering costs in public offerings of the Company's common stock for the years ended September 30, 2012, 2011 and 2010:

	Shares issued	Offering price per share	Proceeds net of underwriting and offering costs
Fiscal year 2010 offering	8,727,581	$ 14.50	$ 117,605
Fiscal year 2011 offering	3,953,257	$ 15.75	$ 58,610
Fiscal year 2012 offering	3,825,000	$ 15.35	$ 56,467

On April 14, 2010, GBDC priced 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 per share were issued upon the exercise of the underwriters over-allotment option.

On March 31, 2011, GBDC priced a public offering of 3,500,000 shares of its common stock at a public offering price of $15.75 per share. 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.

On January 31, 2012, GBDC priced a public offering of 3,500,000 shares of its common stock at a public offering price of $15.35 per share. On March 1, 2012, the Company sold an additional 325,000 shares of its common stock at a public offering price of $15.35 per share pursuant to the underwriters partial exercise of the over-allotment option.

On August 6, 2012, GBDC announced an At the Market (ATM) program to sell up to $50 million of shares of its common stock over a one-year time period. As of November 27, 2012, no shares had been sold through the Company s ATM program.

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Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands, except shares and per share data)

Note 13. Dividends and Distributions

The Company s dividends and distributions are recorded on the record date. The following table summarizes the Company s dividend declarations and distributions during the years ended September 30, 2012, 2011 and 2010:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Fiscal Year ended September 30, 2010						
05/13/2010	06/22/2010	06/29/2010	$ 0.24	$ 4,251	N/A (1)	N/A (1)
08/05/2010	09/10/2010	09/30/2010	$ 0.31	$ 5,491	N/A (1)	N/A (1)
Fiscal Year ended September 30, 2011						
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
08/04/2011	09/19/2011	09/28/2011	$ 0.32	$ 6,629	N/A (1)	N/A (1)
Fiscal Year ended September 30, 2012						
12/07/2011	12/19/2011	12/29/2011	$ 0.32	$ 6,580	25,052	$ 375
2/2/2012	3/16/2012	3/29/2012	$ 0.32	$ 7,381	55,479	$ 805
5/1/2012	6/15/2012	6/29/2012	$ 0.32	$ 7,858	23,575	$ 347
8/2/2012	9/13/2012	9/27/2012	$ 0.32	$ 7,829	25,092	$ 382

(1) DRIP shares were purchased in the open market with an aggregate value of $367 at June 29, 2010, $464 at September 30, 2010 and $325 at September 28, 2011.

Note 14. Subsequent Events

Dividends: On November 27, 2012, the Company s Board declared a quarterly dividend of $0.32 per share payable on December 28, 2012 to holders of record as of December 14, 2012.

On October 16, 2012, the Company priced a public offering of 2,600,000 shares of its common stock at a public offering price of $15.58 per share, raising approximately $40,508 in gross proceeds. Wells Fargo Securities, LLC and UBS Securities LLC acted as joint book-running managers for the offering. On October 19, 2012, the transaction closed, the shares were issued, and proceeds, net of offering costs but before expenses, of $39,381 were received. Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, purchased an aggregate of $3,000 of shares in the offering at the public offering price per share. In addition, Mr. William M. Webster IV, one of the Company s directors, purchased 10,000 shares in the offering at the public offering price per share.

On November 14, 2012, the Company sold an additional 294,120 shares of its common stock at a public offering price of $15.58 per share pursuant to the underwriters partial exercise of the over-allotment option.

On October 30, 2012, Funding entered into an amendment (the Credit Facility Amendment) to the documents governing Funding s Credit Facility with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender. The Credit Facility Amendment is effective as of October 21, 2012. The Credit Facility Amendment, among other things, extended the reinvestment period from October 21, 2012 to October 21, 2013 and extended the stated maturity date from October 21, 2015 to October 20, 2017.

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Golub Capital BDC, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands, except shares and per share data)

Note 15. Selected Quarterly Financial Data (Unaudited)

	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Total investment income	$ 16,219	$ 14,811	$ 14,352	$ 12,477
Net investment income	7,791	6,678	7,065	6,342
Net gain (loss) on investments	954	(1,285)	4,366	(151)
Net increase (decrease) in net assets resulting from operations	8,745	5,393	11,431	6,191
Earnings per share	0.34	0.21	0.48	0.28
Net asset value per common share at period end	$ 14.60	$ 14.58	$ 14.69	$ 14.53

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Total investment income	$ 10,831	$ 10,071	$ 9,111	$ 9,137
Net investment income	6,450	5,952	5,181	5,233
Net gain (loss) on investments	(3,469)	568	695	729
Net increase (decrease) in net assets resulting from operations	2,981	6,520	5,876	5,962
Earnings per share	0.14	0.31	0.33	0.34
Net asset value per common share at period end	$ 14.56	$ 14.75	$ 14.75	$ 14.74

	September 30, 2010	June 30, 2010(1)	March 31, 2010	December 31, 2009
Total investment income	$ 7,431	$ 7,230	$ 7,645	$ 10,843
Net investment income	4,351	4,815	5,018	9,182
Net gain (loss) on investments	1,896	(100)	1,925	(840)
Net increase (decrease) in members' equity/net assets resulting from operations	6,247	4,715	6,943	8,342
Earnings per share	0.35	0.29	N/A	N/A
Net asset value per common share at period end	$ 14.71	$ 14.67	N/A	N/A

(1)

The earnings per share and weighted average shares outstanding calculations for the three months ended June 30, 2010 are based on the assumption that the number of shares issued immediately prior to the Conversion on April 13, 2010 (8,984,863 shares of common stock) had been issued on April 1, 2010, at the beginning of the three month period.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9a. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2012 (the end of the period covered by this report), management, with the participation of 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) and 15d-15(e) of the Exchange Act). Based on that evaluation, our management, including the chief executive officer and chief financial officer, concluded that, at the end of such period, our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company s periodic reports.

(b) Management s Report on Internal Control Over Financial Reporting

Management s Report on Internal Control Over Financial Reporting and McGladrey LLP s Report of Independent Registered Public Accounting Firm are included in Item 8. Consolidated Financial Statements and Supplementary Data of this annual report on Form 10-K.

(c) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in our internal control over financial reporting that occurred during the fourth fiscal quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

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PART IV

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders, to be filed with the SEC within 120 days following the end of our fiscal year.

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this annual report on Form 10-K:

(1) Financial Statements Refer to Item 8 starting on page 77
(2) Financial Statement Schedules None
(3) Exhibits

3.1	Form of Certificate of Incorporation (Incorporated by reference to Exhibit (a)(2) to the Registrant s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 24, 2010).
3.2	Form of Bylaws (Incorporated by reference to Exhibit (b)(2) to the Registrant s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 24, 2010).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit (d) to the Registrant s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 24, 2010).
10.1	Amended and Restated Investment Advisory Agreement between Registrant and GC Advisors LLC (Incorporated by reference to Exhibit 10.5 to Registrant s Current Report on Form 8-K, filed on July 16, 2010).
10.2	Form of Custody Agreement (Incorporated by reference to Exhibit (j) to the Registrant s Pre-effective Amendment No. 5 to the Registration Statement on Form N-2, filed on April 12, 2010).
10.3	Form of Administration Agreement between Registrant and GC Service Company LLC (Incorporated by reference to Exhibit (k)(2) to the Registrant s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 24, 2010).
10.4	Form of Trademark License Agreement between the Registrant and Golub Capital LLC (Incorporated by reference to Exhibit (k)(3) to the Registrant s Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 24, 2010).
10.5	

	Amended and Restated Dividend Reinvestment Plan (Incorporated by reference to Exhibit 10.1 to Registrant s Current Report on Form 8-K, filed on May 5, 2011).
10.6	Purchase Agreement, dated July 16, 2010, by and among the Registrant, Golub Capital BDC 2010-1 Holdings LLC, Golub Capital BDC 2010-1 LLC and Wells Fargo Securities, LLC (Incorporated by reference to Exhibit 10.1 to Registrant s Report on Form 8-K, filed on July 16, 2010).
10.7	Master Loan Sale Agreement, dated July 16, 2010, by and between the Registrant, Golub Capital BDC 2010-1 LLC and Golub Capital BDC 2010-1 Holdings LLC (Incorporated by reference to Exhibit 10.2 to Registrant s Report on Form 8-K, filed on July 16, 2010).
10.8	Indenture, dated July 16, 2010, by and between Golub Capital BDC 2010-1 LLC and U.S. Bank, National Association (Incorporated by reference to Exhibit 10.3 to Registrant s Current Report on Form 8-K, filed on July 16, 2010).

10.9	Collateral Management Agreement, dated July 16, 2010, by and between Golub Capital BDC 2010-1 LLC and GC Advisors LLC (Incorporated by reference to Exhibit 10.4 to Registrant s Current Report on Form 8-K, filed on July 16, 2010).
10.10	Loan and Servicing Agreement, dated July 21, 2011, by and between the Registrant, Golub Capital BDC Funding LLC and Wells Fargo Securities, LLC (Incorporated by reference to Exhibit 10.1 to Registrant s Current Report on Form 8-K, filed on July 21, 2011).
10.11	Purchase and Sale Agreement, dated July 21, 2011, by and between the Registrant and Golub Capital BDC Funding LLC (Incorporated by reference to Exhibit 10.2 to Registrant s Current Report on Form 8-K, filed on July 21, 2011).
10.12	Fourth Amendment to Loan and Servicing Agreement, dated October 21, 2012, by and between the Registrant, Golub Capital BDC Funding LLC Wells Fargo Securities, LLC (Incorporated by reference to Exhibit 10.1 to Registrant s Current Report on Form 8-K, filed on November 2, 2012).
11.1	Computation of per share earnings (included in the notes to the audited financial statements included in this report).
14.1	Code of Ethics of the Registrant.
14.2	Code of Ethics of GC Advisors (Incorporated by reference to Exhibit (r)(2) to the Registrant s Post-effective Amendment No. 2 to the Registration Statement on Form N-2, filed on August 7, 2012).
21.1	List of Subsidiaries
24	Power of attorney (included on the signature page hereto)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Privacy Policy of the Registrant.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Golub Capital BDC, Inc.
A Delaware Corporation

By:

Date: November 29, 2012

/s/ David B. Golub
Name: David B. Golub
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Lawrence E. Golub, David B. Golub and Ross A. Teune as his or her true and lawful attorneys-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David B. Golub David B. Golub	Chief Executive Officer and Director (Principal Executive Officer)	November 29, 2012
/s/ Ross A. Teune Ross A. Teune	Chief Financial Officer (Principal Financial and Accounting Officer)	November 29, 2012
/s/ Lawrence E. Golub Lawrence E. Golub	Chairman of the Board of Directors	November 29, 2012
/s/ John T. Baily John T. Baily	Director	November 29, 2012
/s/ Kenneth F. Bernstein Kenneth F. Bernstein	Director	November 29, 2012
/s/ Anita R. Rosenberg Anita R. Rosenberg	Director	November 29, 2012
/s/ William M. Webster IV William M. Webster IV	Director	November 29, 2012