

Golub Capital BDC, Inc.  
Form 10-Q  
May 03, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2013

**OR**

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

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

Commission File Number 814-00794

**Golub Capital BDC, Inc.**

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(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-2326940**

(I.R.S. Employer Identification No.)

**150 South Wacker Drive, Suite 800**

**Chicago, IL 60606**

(Address of principal executive offices)

**(312) 205-5050**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of May 3, 2013, the Registrant had 33,754,512 shares of common stock, \$0.001 par value, outstanding.



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

|  | <b>March 31,<br/>2013</b> | <b>September 30,<br/>2012</b> |
|--|---------------------------|-------------------------------|
| <b>Assets</b>  | (unaudited)               |                               |
| Investments, at fair value (cost of \$783,868 and \$669,841, respectively)   | \$ 788,442                | \$ 672,910                    |
| Cash and cash equivalents  | 8,950                     | 13,891                        |
| Restricted cash and cash equivalents   | 84,214                    | 37,036                        |
| Interest receivable  | 4,278                     | 3,906                         |
| Deferred financing costs   | 7,029                     | 5,898                         |
| Other assets   | 265                       | 455                           |
| <b>Total Assets</b>  | <b>\$ 893,178</b>         | <b>\$ 734,096</b>             |
| <b>Liabilities</b>   |                           |                               |
| Debt   | \$ 385,700                | \$ 352,300                    |
| Interest payable   | 1,304                     | 1,391                         |
| Management and incentive fees payable  | 5,069                     | 4,203                         |
| Accounts payable and accrued expenses  | 1,452                     | 1,073                         |
| <b>Total Liabilities</b>   | <b>393,525</b>            | <b>358,967</b>                |
| <b>Net Assets</b>  |                           |                               |
| Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized,<br>zero shares issued and outstanding as of March 31, 2013 and September<br>30, 2012                                      | -                         | -                             |
| Common stock, par value \$0.001 per share, 100,000,000 shares<br>authorized, 33,754,512<br>and 25,688,101 shares issued and outstanding as of March 31, 2013 and<br>September 30, 2012, respectively | 34                        | 26                            |
| Paid in capital in excess of par   | 498,448                   | 375,563                       |
| Capital distributions in excess of net investment income   | 379                       | 347                           |
| Net unrealized appreciation on investments and derivative instruments  | 7,242                     | 5,737                         |
| Net realized loss on investments and derivative instruments  | (6,450                    | ) (6,544                      |
| <b>Total Net Assets</b>  | <b>499,653</b>            | <b>375,129</b>                |
| <b>Total Liabilities and Total Net Assets</b>  | <b>\$ 893,178</b>         | <b>\$ 734,096</b>             |
| Number of common shares outstanding  | 33,754,512                | 25,688,101                    |
| Net asset value per common share   | \$ 14.80                  | \$ 14.60                      |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Statements of Operations (unaudited)**

*(In thousands, except share and per share data)*

|   | <b>Three months ended March 31,</b> |                  | <b>Six months ended March 31,</b> |                  |
|---|-------------------------------------|------------------|-----------------------------------|------------------|
|   | <b>2013</b>                         | <b>2012</b>      | <b>2013</b>                       | <b>2012</b>      |
| <b>Investment income</b>  |                                     |                  |                                   |                  |
| Interest income   | \$ 19,617                           | \$ 14,352        | \$ 37,944                         | \$ 26,452        |
| Dividend income   | 479                                 | -                | 746                               | 377              |
| <b>Total investment income</b>                                  | <b>20,096</b>                       | <b>14,352</b>    | <b>38,690</b>                     | <b>26,829</b>    |
| <b>Expenses</b>   |                                     |                  |                                   |                  |
| Interest and other debt financing expenses                      | 3,292                               | 2,580            | 6,287                             | 4,946            |
| Base management fee   | 2,686                               | 2,093            | 5,154                             | 3,967            |
| Incentive fee   | 2,468                               | 1,434            | 4,862                             | 2,344            |
| Professional fees   | 512                                 | 559              | 1,006                             | 1,147            |
| Administrative service fee                                      | 610                                 | 455              | 1,158                             | 718              |
| General and administrative expenses                             | 134                                 | 166              | 252                               | 301              |
| <b>Total expenses</b>   | <b>9,702</b>                        | <b>7,287</b>     | <b>18,719</b>                     | <b>13,423</b>    |
| <b>Net investment income</b>                                    | <b>10,394</b>                       | <b>7,065</b>     | <b>19,971</b>                     | <b>13,406</b>    |
| <b>Net gain on investments</b>                                  |                                     |                  |                                   |                  |
| Net realized (loss) gain on investments                         | -                                   | (2,817)          | 94                                | (4,932)          |
| Net realized gain on derivative instruments                     | -                                   | 724              | -                                 | 988              |
| Net change in unrealized appreciation on investments            | 1,857                               | 4,032            | 1,505                             | 4,375            |
| Net change in unrealized appreciation on derivative instruments | -                                   | 2,427            | -                                 | 3,784            |
| <b>Net gain on investments</b>                                  | <b>1,857</b>                        | <b>4,366</b>     | <b>1,599</b>                      | <b>4,215</b>     |
| <b>Net increase in net assets resulting from operations</b>     | <b>\$ 12,251</b>                    | <b>\$ 11,431</b> | <b>\$ 21,570</b>                  | <b>\$ 17,621</b> |
| <b>Per Common Share Data</b>                                    |                                     |                  |                                   |                  |
| Basic and diluted earnings per common share                     | \$ 0.38                             | \$ 0.48          | \$ 0.71                           | \$ 0.77          |
| Dividends and distributions declared per common share           | \$ 0.32                             | \$ 0.32          | \$ 0.64                           | \$ 0.64          |
| Basic and diluted weighted average common shares outstanding    | 32,532,794                          | 24,059,623       | 30,207,933                        | 22,890,820       |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets (unaudited)**

(In thousands, except share data)

|   | <b>Common Stock</b> | <b>Paid in Capital</b>  | <b>Capital</b>  | <b>Net Unrealized Appreciation</b>                              | <b>Net Realized Gain</b>                                | <b>Total</b>      |            |
|---|---------------------|-------------------------|---|---|---|-------------------|------------|
|   | <b>Par</b>          | <b>in Excess of Par</b> | <b>Distributions in Excess of Net Investment Income</b> | <b>(Depreciation) on Investments and Derivative Instruments</b> | <b>(Loss) on Investments and Derivative Instruments</b> | <b>Net Assets</b> |            |
|   | <b>Shares</b>       | <b>Amount</b>           |   |   |   |                   |            |
| Balance at September 30, 2011   | 21,733,903          | \$ 22                   | \$ 318,302  | \$ (398 )   | \$ (1,519 )   | \$ 142            | \$ 316,549 |
| Issuance of common stock, net of offering and underwriting costs <sup>(1)</sup> | 3,825,000           | 4                       | 56,512  | -   | -   | -                 | 56,516     |
| Net increase (decrease) in net assets resulting from operations                 | -                   | -                       | -   | 13,406  | 8,159   | (3,944 )          | 17,621     |
| Distributions to stockholders:  |                     |                         |   |   |   |                   |            |
| Stock issued in connection with dividend reinvestment plan                      | 80,468              | -                       | 1,180   | -   | -   | -                 | 1,180      |
| Dividends and distributions   | -                   | -                       | -   | (15,141 )   | -   | -                 | (15,141 )  |
| Balance at March 31, 2012   | 25,639,371          | \$ 26                   | \$ 375,994  | \$ (2,133 )   | \$ 6,640  | \$ (3,802 )       | \$ 376,725 |
| Balance at September 30, 2012   | 25,688,101          | \$ 26                   | \$ 375,563  | \$ 347  | \$ 5,737  | \$ (6,544 )       | \$ 375,129 |
| Issuance of common stock, net of offering and underwriting costs <sup>(2)</sup> | 8,016,382           | 8                       | 122,120   | -   | -   | -                 | 122,128    |
| Net increase in net assets resulting from operations                            | -                   | -                       | -   | 19,971  | 1,505   | 94                | 21,570     |



|  |            |       |            |         |          |           |             |
|--|------------|-------|------------|---------|----------|-----------|-------------|
| Distributions to stockholders:                             |            |       |            |         |          |           |             |
| Stock issued in connection with dividend reinvestment plan | 50,029     | -     | 765        | -       | -        | -         | 765         |
| Dividends and distributions                                | -          | -     | -          | (19,939 | )        | -         | (19,939 )   |
| Balance at March 31, 2013                                  | 33,754,512 | \$ 34 | \$ 498,448 | \$ 379  | \$ 7,242 | \$ (6,450 | ) \$499,653 |

(1) 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.

(2) On October 16, 2012, Golub Capital BDC, Inc. priced a public offering of 2,600,000 shares of its common stock at a public offering price of \$15.58 per share. On November 14, 2012, Golub Capital BDC, Inc. 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 January 15, 2013, Golub Capital BDC, Inc. priced a public offering of 4,500,000 shares of its common stock at a public offering price of \$15.87 per share. On February 20, 2013, Golub Capital BDC, Inc. sold an additional 622,262 shares of its common stock at a public offering price of \$15.87 per share pursuant to the underwriters' partial exercise of the over-allotment option.

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows (unaudited)

(In thousands)

|  | Six Months Ended March 31, |            |
|--|----------------------------|------------|
|  | 2013                       | 2012       |
| Cash flows from operating activities   |                            |            |
| Net increase in net assets resulting from operations   | \$ 21,570                  | \$ 17,621  |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities |                            |            |
| Amortization of deferred financing costs   | 1,084                      | 697        |
| Accretion of discounts and amortization of premiums  | (4,465 )                   | (2,380 )   |
| Net realized (gain) loss on investments  | (94 )                      | 4,932      |
| Net realized gain on derivative instruments  | -                          | (988 )     |
| Net change in unrealized appreciation on investments   | (1,505 )                   | (4,375 )   |
| Net change in unrealized appreciation on derivative instruments  | -                          | (3,784 )   |
| Fundings of revolving loans, net   | (4,242 )                   | (616 )     |
| Fundings of investments  | (288,565 )                 | (237,606 ) |
| Proceeds from principal payments and sales of portfolio investments  | 183,906                    | 86,474     |
| Proceeds from derivative instruments   | -                          | 988        |
| Payment-in-kind ("PIK") interest   | (567 )                     | (398 )     |
| Changes in operating assets and liabilities:   |                            |            |
| Interest receivable  | (372 )                     | (653 )     |
| Cash collateral on deposit with custodian  | -                          | 353        |
| Other assets   | 190                        | 425        |
| Interest payable   | (87 )                      | 244        |
| Management and incentive fees payable  | 866                        | 1,856      |
| Accounts payable and accrued expenses  | 379                        | 318        |
| Payable for investments purchased  | -                          | 5,010      |
| Net cash used in operating activities  | (91,902 )                  | (131,882 ) |
| Cash flows from investing activities   |                            |            |
| Net change in restricted cash and cash equivalents   | (47,178 )                  | (19,109 )  |
| Net cash used in investing activities  | (47,178 )                  | (19,109 )  |
| Cash flows from financing activities   |                            |            |
| Borrowings on debt   | 172,950                    | 131,917    |
| Repayments of debt   | (139,550 )                 | (37,900 )  |
| Capitalized debt financing costs   | (2,215 )                   | (1,810 )   |
| Proceeds from shares sold, net of underwriting costs   | 122,485                    | 57,164     |
| Offering costs paid  | (357 )                     | (648 )     |
| Dividends and distributions paid   | (19,174 )                  | (13,961 )  |
| Net cash provided by financing activities  | 134,139                    | 134,762    |
| Net change in cash and cash equivalents  | (4,941 )                   | (16,229 )  |
| Cash and cash equivalents, beginning of period   | 13,891                     | 46,350     |
| Cash and cash equivalents, end of period   | \$ 8,950                   | \$ 30,121  |

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Supplemental information:

|  |           |           |
|--|-----------|-----------|
| Cash paid during the period for interest               | \$ 5,290  | \$ 4,006  |
| Dividends and distributions declared during the period | \$ 19,939 | \$ 15,141 |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited)**

**March 31, 2013**

*(In thousands)*

|   | Investment        | Spread               | Interest              | Maturity  | Principal      |                | Percentage |          | Fair         |
|---|-------------------|----------------------|-----------------------|-----------|----------------|----------------|------------|----------|--------------|
|   | Type              | Above                | Rate <sup>(2)</sup>   | Date      | Amount         | Cost           | of         | Net      | Value        |
|   |                   | Index <sup>(1)</sup> |                       |           |                |                | Net        | Assets   |              |
| <b>Investments</b>                                  |                   |                      |                       |           |                |                |            |          |              |
| <b>Canada</b>                                       |                   |                      |                       |           |                |                |            |          |              |
| <b>Debt</b>   |                   |                      |                       |           |                |                |            |          |              |
| <b>investments</b>                                  |                   |                      |                       |           |                |                |            |          |              |
| <b>Leisure,</b>                                     |                   |                      |                       |           |                |                |            |          |              |
| <b>Amusement,</b>                                   |                   |                      |                       |           |                |                |            |          |              |
| <b>Motion</b>                                       |                   |                      |                       |           |                |                |            |          |              |
| <b>Pictures,</b>                                    |                   |                      |                       |           |                |                |            |          |              |
| <b>Entertainment</b>                                |                   |                      |                       |           |                |                |            |          |              |
| Extreme Fitness, Inc.                               | Senior loan       | N/A                  | 10.00                 | % 03/2013 | \$220          | \$220          | -          | %        | \$220        |
| Extreme Fitness, Inc.                               | Senior loan       | N/A                  | 8.00                  | % 02/2013 | 76             | 76             | -          |          | 76           |
| Extreme Fitness, Inc.                               | Senior loan       | N/A                  | 8.00                  | % 02/2013 | 626            | 626            | 0.1        |          | 626          |
| Extreme Fitness, Inc. <sup>(3)</sup>                | Subordinated debt | N/A                  | 12.00% cash/2.50% PIK | 11/2015   | 2,908          | 2,810          | -          |          | -            |
| <b>Total Canada</b>                                 |                   |                      |                       |           | <b>\$3,830</b> | <b>\$3,732</b> | <b>0.1</b> | <b>%</b> | <b>\$922</b> |
| <b>Fair Value as percentage of Principal Amount</b> |                   |                      |                       |           |                |                |            |          |              |
| <b>24.1</b>   |                   |                      |                       |           |                |                |            |          |              |
| <b>United States</b>                                |                   |                      |                       |           |                |                |            |          |              |
| <b>Debt</b>   |                   |                      |                       |           |                |                |            |          |              |
| <b>investments</b>                                  |                   |                      |                       |           |                |                |            |          |              |
| <b>Aerospace and Defense</b>                        |                   |                      |                       |           |                |                |            |          |              |
| Aderant North America, Inc.*                        | Senior loan       | L + 5.00%            | 6.25                  | % 12/2018 | \$4,529        | \$4,486        | 0.9        | %        | \$4,529      |
| ILC Dover, LP                                       | Senior loan       |                      | 7.00                  | % 07/2017 | 610            | 605            | 0.1        |          | 610          |

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|   |                   |              |                       |     |         |        |        |     |        |
|---|-------------------|--------------|-----------------------|-----|---------|--------|--------|-----|--------|
|   |                   | L +<br>5.75% |                       |     |         |        |        |     |        |
| ILC Dover, LP   | Senior loan       | P +<br>4.75% | 8.00                  | %   | 07/2017 | 211    | 204    | -   | 211    |
| ILC Dover, LP   | Senior loan       | L +<br>5.75% | 7.00                  | %   | 07/2017 | 4,379  | 4,305  | 0.9 | 4,379  |
| Tresys<br>Technology<br>Holdings, Inc. <sup>(4)</sup> | One stop          | L+<br>6.75%  | NA                    | (5) | 12/2017 | -      | (10 )  | -   | -      |
| Tresys<br>Technology<br>Holdings, Inc.                | One stop          | L +<br>6.75% | 8.00                  | %   | 12/2017 | 4,025  | 3,930  | 0.8 | 4,025  |
| TurboCombustor<br>Technology<br>Inc.*                 | Senior loan       | L +<br>4.75% | 5.75                  | %   | 12/2017 | 386    | 384    | 0.1 | 384    |
| TurboCombustor<br>Technology<br>Inc.*                 | Senior loan       | L +<br>5.00% | 6.00                  | %   | 12/2017 | 900    | 896    | 0.2 | 896    |
| Whitcraft LLC   | Subordinated debt | N/A          | 12.00                 | %   | 12/2018 | 1,877  | 1,850  | 0.4 | 1,877  |
| White Oak<br>Technologies,<br>Inc. <sup>(4)</sup>     | Senior loan       | L+<br>5.00%  | NA                    | (5) | 03/2017 | -      | (8 )   | -   | -      |
| White Oak<br>Technologies,<br>Inc.*                   | Senior loan       | L +<br>5.00% | 6.25                  | %   | 03/2017 | 1,905  | 1,871  | 0.4 | 1,905  |
| <b>Automobile</b>                                     |                   |              |                       |     |         | 18,822 | 18,513 | 3.8 | 18,816 |
| ABRA, Inc.  | Subordinated debt | N/A          | 12.00% cash/1.50% PIK |     | 04/2017 | 966    | 947    | 0.2 | 966    |
| ABRA, Inc.  | Subordinated debt | N/A          | 12.00% cash/1.50% PIK |     | 04/2017 | 9,623  | 9,466  | 1.9 | 9,623  |
| American<br>Driveline<br>Systems, Inc.                | Senior loan       | P +<br>6.50% | 9.75                  | %   | 01/2016 | 391    | 384    | 0.1 | 361    |
| American<br>Driveline<br>Systems, Inc.*               | Senior loan       | L +<br>7.50% | 9.00                  | %   | 01/2016 | 2,840  | 2,800  | 0.5 | 2,614  |
| CLP Auto<br>Interior<br>Corporation*                  | Senior loan       | L +<br>4.75% | 4.95                  | %   | 06/2013 | 3,019  | 3,019  | 0.6 | 3,019  |
| Express Oil<br>Change, LLC                            | Senior loan       | P +<br>3.50% | 6.75                  | %   | 12/2017 | 119    | 114    | -   | 119    |
| Express Oil<br>Change, LLC                            | Senior loan       | P +<br>3.50% | 6.75                  | %   | 12/2017 | 218    | 214    | -   | 218    |
| Express Oil<br>Change, LLC*                           | Senior loan       | P +<br>3.50% | 6.75                  | %   | 12/2017 | 1,889  | 1,870  | 0.4 | 1,889  |
| Federal-Mogul<br>Corporation                          | Senior loan       | L +<br>1.94% | 2.14                  | %   | 12/2014 | 1,966  | 1,932  | 0.4 | 1,845  |
| Federal-Mogul<br>Corporation                          | Senior loan       | L +<br>1.94% | 2.14                  | %   | 12/2015 | 1,003  | 983    | 0.2 | 941    |
| K&N<br>Engineering,<br>Inc. <sup>(4)</sup>            | Senior loan       | P +<br>4.25% | NA                    | (5) | 12/2016 | -      | (7 )   | -   | -      |

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|                                     |                   |               |                       |     |         |        |        |     |        |
|-------------------------------------|-------------------|---------------|-----------------------|-----|---------|--------|--------|-----|--------|
| K&N Engineering, Inc.               | Senior loan       | P +<br>4.25%  | 7.50                  | %   | 12/2016 | 3,158  | 3,111  | 0.6 | 3,158  |
|                                     |                   |               |                       |     |         | 25,192 | 24,833 | 4.9 | 24,753 |
| <b>Banking</b>                      |                   |               |                       |     |         |        |        |     |        |
| Prommis Fin Co.* <sup>(3)</sup>     | Senior loan       | P +<br>10.50% | 2.25% cash/11.50% PIK |     | 06/2015 | 206    | 191    | -   | 52     |
| Prommis Fin Co.                     | Senior loan       | P +<br>10.00% | 13.25                 | %   | 06/2015 | 126    | 125    | -   | 126    |
| Prommis Fin Co.* <sup>(3)</sup>     | Second lien       | P +<br>10.50% | 2.25% cash/11.50% PIK |     | 06/2015 | 413    | 382    | -   | -      |
| Prommis Fin Co.* <sup>(3)</sup>     | Subordinated debt | P +<br>10.50% | 2.25% cash/11.50% PIK |     | 06/2015 | 207    | 191    | -   | -      |
|                                     |                   |               |                       |     |         | 952    | 889    | -   | 178    |
| <b>Beverage, Food and Tobacco</b>   |                   |               |                       |     |         |        |        |     |        |
| ABP Corporation <sup>(4)</sup>      | Senior loan       | L +<br>5.25%  | NA                    | (5) | 06/2016 | -      | (5 )   | -   | -      |
| ABP Corporation*                    | Senior loan       | L +<br>5.25%  | 6.75                  | %   | 06/2016 | 4,513  | 4,456  | 0.9 | 4,513  |
| Ameriquel Group, LLC*               | Senior loan       | L +<br>5.00%  | 6.50                  | %   | 03/2016 | 1,727  | 1,706  | 0.3 | 1,675  |
| Ameriquel Group, LLC*               | Senior loan       | L +<br>7.50%  | 9.00                  | %   | 03/2016 | 835    | 826    | 0.2 | 768    |
| Atkins Nutritionals, Inc.*          | One stop          | P +<br>8.65%  | 11.16                 | %   | 12/2015 | 6,121  | 6,011  | 1.2 | 6,121  |
| Candy Intermediate Holdings, Inc.   | Senior loan       | L +<br>6.25%  | 7.50                  | %   | 06/2018 | 4,962  | 4,811  | 1.0 | 5,056  |
| First Watch Restaurants, Inc.       | One stop          | L +<br>7.50%  | 8.75                  | %   | 12/2016 | 420    | 394    | 0.1 | 420    |
| First Watch Restaurants, Inc.       | One stop          | P +<br>6.50%  | 9.75                  | %   | 12/2016 | 140    | 114    | -   | 140    |
| First Watch Restaurants, Inc.*      | One stop          | P +<br>6.50%  | 9.75                  | %   | 12/2016 | 11,472 | 11,301 | 2.3 | 11,472 |
| IL Fornaio (America) Corporation*   | Senior loan       | P +<br>4.25%  | 7.50                  | %   | 06/2017 | 4,423  | 4,407  | 0.9 | 4,423  |
| IT'SUGAR LLC                        | Subordinated debt | N/A           | 8.00                  | %   | 10/2017 | 1,707  | 1,707  | 0.5 | 2,697  |
| IT'SUGAR LLC                        | Senior loan       | L +<br>8.50%  | 10.00                 | %   | 04/2017 | 4,234  | 4,165  | 0.8 | 4,234  |
| Julio & Sons Company <sup>(4)</sup> | One stop          | L +<br>5.50%  | NA                    | (5) | 09/2014 | -      | (11 )  | -   | -      |
| Julio & Sons Company*               | One stop          | L +<br>5.50%  | 7.00                  | %   | 09/2016 | 7,086  | 7,036  | 1.4 | 7,086  |
| Julio & Sons Company <sup>(4)</sup> | One stop          | L +<br>5.50%  | NA                    | (5) | 09/2016 | -      | (10 )  | -   | -      |
| Northern Brewer, LLC                | One stop          | P +<br>5.25%  | 8.50                  | %   | 02/2018 | 211    | 198    | -   | 198    |

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|  |                   |               |                       |     |         |        |        |      |        |
|--|-------------------|---------------|-----------------------|-----|---------|--------|--------|------|--------|
| Northern Brewer, LLC                   | One stop          | P +<br>5.25%  | 8.50                  | %   | 02/2018 | 6,494  | 6,334  | 1.3  | 6,397  |
| Richelieu Foods, Inc.                  | Senior loan       | L +<br>5.00%  | 6.75                  | %   | 11/2015 | 46     | 37     | -    | 46     |
| Richelieu Foods, Inc.*                 | Senior loan       | L +<br>5.00%  | 6.75                  | %   | 11/2015 | 2,054  | 2,024  | 0.4  | 2,054  |
|  |                   |               |                       |     |         | 56,445 | 55,501 | 11.3 | 57,300 |
| <b>Building and Real Estate</b>        |                   |               |                       |     |         |        |        |      |        |
| ASP PDM Acquisition Co. LLC*(3)        | Senior loan       | P +<br>7.25%  | 10.50                 | %   | 12/2013 | 451    | 443    | -    | 180    |
| Global Claims Services, Inc.(4)        | Senior loan       | L +<br>5.00%  | NA                    | (5) | 06/2018 | -      | (1 )   | -    | -      |
| Global Claims Services, Inc.*          | Senior loan       | L +<br>5.00%  | 6.25                  | %   | 06/2018 | 827    | 816    | 0.2  | 827    |
| KHKI Acquisition, Inc.                 | Senior loan       | P +<br>5.00%  | 8.50                  | %   | 03/2017 | 2,600  | 2,600  | 0.3  | 1,430  |
| Tecta America Corp.                    | Senior loan       | P +<br>5.75%  | 9.00                  | %   | 03/2014 | 3,779  | 3,779  | 0.4  | 1,859  |
|  |                   |               |                       |     |         | 7,657  | 7,637  | 0.9  | 4,296  |
| <b>Cargo Transport</b>                 |                   |               |                       |     |         |        |        |      |        |
| RP Crown Parent*                       | Senior loan       | L +<br>5.50%  | 6.75                  | %   | 12/2019 | 1,995  | 1,956  | 0.4  | 2,038  |
| RP Crown Parent                        | Second lien       | L +<br>10.00% | 11.25                 | %   | 12/2019 | 7,500  | 7,354  | 1.6  | 7,867  |
|  |                   |               |                       |     |         | 9,495  | 9,310  | 2.0  | 9,905  |
| <b>Chemicals, Plastics and Rubber</b>  |                   |               |                       |     |         |        |        |      |        |
| Integrated DNA Technologies, Inc.      | Subordinated debt | N/A           | 12.00% cash/2.00% PIK |     | 04/2015 | 2,167  | 2,127  | 0.4  | 2,167  |
| Road Infrastructure Investment, LLC(4) | Senior loan       | L +<br>5.00%  | NA                    | (5) | 03/2017 | -      | (37 )  | -    | (1     |
| Road Infrastructure Investment, LLC*   | Senior loan       | L +<br>5.00%  | 6.25                  | %   | 03/2018 | 4,116  | 4,065  | 0.8  | 4,147  |
|  |                   |               |                       |     |         | 6,283  | 6,155  | 1.2  | 6,313  |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited) - (Continued)**

**March 31, 2013**

*(In thousands)*

|  | Investment  | Spread Above         | Interest            | Maturity               | Principal |        | Percentage          |            |
|--|-------------|----------------------|---------------------|------------------------|-----------|--------|---------------------|------------|
|  | Type        | Index <sup>(1)</sup> | Rate <sup>(2)</sup> | Date                   | Amount    | Cost   | of Total Net Assets | Fair Value |
| Containers, Packaging and Glass        |             |                      |                     |                        |           |        |                     |            |
| Fort Dearborn Company*                 | Senior loan | L + 4.75%            | 6.00                | % 10/2017              | 49        | 49     | -                   | 49         |
| Fort Dearborn Company*                 | Senior loan | L + 5.25%            | 6.50                | % 10/2018              | 191       | 190    | -                   | 191        |
| Fort Dearborn Company*                 | Senior loan | L + 4.75%            | 6.00                | % 10/2017              | 471       | 467    | 0.1                 | 471        |
| Fort Dearborn Company*                 | Senior loan | L + 5.25%            | 6.50                | % 10/2018              | 1,839     | 1,821  | 0.4                 | 1,839      |
| John Henry Holdings Inc.               | Second lien | L + 9.00%            | 10.25               | % 05/2019              | 1,175     | 1,147  | 0.2                 | 1,190      |
|  |             |                      |                     |                        | 3,725     | 3,674  | 0.7                 | 3,740      |
| Diversified Conglomerate Manufacturing |             |                      |                     |                        |           |        |                     |            |
| Chase Industries, Inc.*                | One stop    | L + 6.07%            | 7.32                | % 11/2017              | 11,785    | 11,586 | 2.4                 | 11,785     |
| Metal Spinners, Inc.*                  | Senior loan | L + 6.50%            | 8.00                | % 12/2014              | 1,381     | 1,354  | 0.3                 | 1,381      |
| Metal Spinners, Inc.*                  | Senior loan | L + 6.50%            | 8.00                | % 12/2014              | 2,758     | 2,707  | 0.6                 | 2,758      |
| Onicon Incorporated <sup>(4)</sup>     | One stop    | L + 6.75%            | NA                  | <sup>(5)</sup> 12/2017 | -         | (15 )  | -                   | (16 )      |
| Onicon Incorporated                    | One stop    | L + 6.75%            | 8.25                | % 12/2017              | 3,675     | 3,604  | 0.7                 | 3,601      |
| Pasternack Enterprises, Inc.*          | Senior loan | L + 5.00%            | 6.25                | % 12/2017              | 1,272     | 1,260  | 0.3                 | 1,272      |
| Sunless Merger Sub, Inc.               | Senior loan | P + 4.00%            | 7.25                | % 07/2016              | 127       | 126    | -                   | 100        |
|  | Senior loan |                      | 6.50                | % 07/2016              | 2,261     | 2,254  | 0.4                 | 2,035      |



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|   |             |              |       |     |         |        |        |     |        |
|---|-------------|--------------|-------|-----|---------|--------|--------|-----|--------|
| Sunless Merger Sub, Inc.*   |             | L +<br>5.25% |       |     |         |        |        |     |        |
| Tecomet Inc. <sup>(4)</sup>   | Senior loan | L +<br>4.50% | NA    | (5) | 12/2016 | -      | (6 )   | -   | -      |
| Tecomet Inc.*   | Senior loan | L +<br>4.50% | 5.75  | %   | 12/2016 | 6,006  | 5,927  | 1.2 | 6,006  |
| TIDI Products, LLC <sup>(4)</sup>   | One stop    | L +<br>7.00% | NA    | (5) | 07/2017 | -      | (12 )  | -   | -      |
| TIDI Products, LLC*   | One stop    | L +<br>7.00% | 8.25  | %   | 07/2018 | 8,747  | 8,579  | 1.8 | 8,747  |
| Vintage Parts, Inc.*  | One stop    | L +<br>5.50% | 5.78  | %   | 12/2013 | 5,372  | 5,362  | 1.1 | 5,291  |
| Vintage Parts, Inc.*  | One stop    | L +<br>6.00% | 8.50  | %   | 12/2013 | 75     | 75     | -   | 75     |
| Vintage Parts, Inc.*  | One stop    | L +<br>8.00% | 9.75  | %   | 12/2013 | 1,122  | 1,114  | 0.2 | 1,139  |
|   |             |              |       |     |         | 44,581 | 43,915 | 9.0 | 44,174 |
| Diversified Conglomerate Service Agility Recovery Solutions Inc. <sup>(4)</sup> | One stop    | L +<br>6.75% | NA    | (5) | 12/2017 | -      | (6 )   | -   | -      |
| Agility Recovery Solutions Inc.   | One stop    | L +<br>6.75% | 8.00  | %   | 12/2017 | 5,464  | 5,335  | 1.1 | 5,464  |
| Ahern Rentals, Inc.   | Second lien | N/A          | 16.00 | %   | 12/2012 | 6,000  | 6,000  | 1.2 | 6,000  |
| API Healthcare Corporation*   | One stop    | L +<br>8.92% | 10.42 | %   | 02/2017 | 9,341  | 9,201  | 1.9 | 9,341  |
| Consona Holdings, Inc. <sup>(4)</sup>   | Senior loan | L +<br>5.50% | NA    | (5) | 08/2017 | -      | (3 )   | -   | -      |
| Consona Holdings, Inc.*   | Senior loan | L +<br>5.50% | 6.75  | %   | 08/2018 | 1065   | 1032   | 0.2 | 1065   |
| Consona Holdings, Inc.*   | Senior loan | L +<br>6.00% | 7.25  | %   | 08/2018 | 1,559  | 1,545  | 0.3 | 1,559  |
| Document Technologies, LLC <sup>(4)</sup>                                       | Senior loan | L +<br>4.25% | NA    | (5) | 12/2018 | -      | (14 )  | -   | -      |
| Document Technologies, LLC *  | Senior loan | L +<br>4.25% | 5.50  | %   | 12/2018 | 6,862  | 6,788  | 1.4 | 6,862  |
| EAG, Inc.*  | Senior loan | P +<br>3.50% | 6.75  | %   | 07/2017 | 2,560  | 2,529  | 0.5 | 2,560  |
| HighJump Acquisition LLC  | One stop    | L +<br>8.50% | 9.75  | %   | 07/2016 | 5,414  | 5,359  | 1.1 | 5,414  |
| Marathon Data Operating Co.,  | One stop    | L +<br>6.25% | NA    | (5) | 08/2017 | -      | (9 )   | -   | -      |

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|   |             |              |                      |     |         |         |         |      |         |
|---|-------------|--------------|----------------------|-----|---------|---------|---------|------|---------|
| LLC <sup>(4)</sup>                        |             |              |                      |     |         |         |         |      |         |
| Marathon Data Operating Co., LLC          | One stop    | L +<br>6.25% | 7.50                 | %   | 08/2017 | 4,795   | 4,689   | 1.0  | 4,795   |
| MSC Software Corporation*                 | One stop    | L +<br>7.96% | 9.21                 | %   | 11/2017 | 10,288  | 10,105  | 2.0  | 10,134  |
| Navex Global, Inc.                        | One stop    | L +<br>7.50% | 9.00                 | %   | 12/2016 | 420     | 401     | 0.1  | 420     |
| Navex Global, Inc.*                       | One stop    | L +<br>7.50% | 9.00                 | %   | 12/2016 | 17,989  | 17,642  | 3.6  | 17,989  |
| NetSmart Technologies, Inc.               | One stop    | L +<br>7.49% | 8.74                 | %   | 12/2017 | 667     | 653     | 0.1  | 667     |
| NetSmart Technologies, Inc.*              | One stop    | L +<br>7.50% | 8.75                 | %   | 12/2017 | 8,537   | 8,451   | 1.7  | 8,537   |
| PC Helps Support, LLC <sup>(4)</sup>      | Senior loan | L +<br>5.25% | NA                   | (5) | 09/2017 | -       | (2 )    | -    | -       |
| PC Helps Support, LLC                     | Senior loan | L +<br>5.25% | 6.50                 | %   | 09/2017 | 2,112   | 2,084   | 0.4  | 2,112   |
| Secure-24, LLC                            | One stop    | L +<br>6.25% | 7.50                 | %   | 08/2017 | 332     | 324     | 0.1  | 332     |
| Secure-24, LLC*                           | One stop    | L +<br>7.00% | 8.25                 | %   | 08/2017 | 10,592  | 10,310  | 2.1  | 10,592  |
| Secure-24, LLC                            | One stop    | L +<br>7.00% | 8.25                 | %   | 08/2017 | 553     | 524     | 0.1  | 553     |
| Source Medical Solutions, Inc.            | Second lien | L +<br>9.50% | 10.75                | %   | 03/2018 | 9,294   | 9,082   | 1.8  | 9,201   |
|   |             |              |                      |     |         | 103,844 | 102,020 | 20.7 | 103,597 |
| Electronics Cape Electrical Supply LLC*   | Senior loan | L +<br>5.50% | 6.50% cash/0.50% PIK |     | 06/2013 | 1,168   | 1,162   | 0.2  | 1,168   |
| Ecommerce Industries, Inc. <sup>(4)</sup> | One stop    | L +<br>6.75% | NA                   | (5) | 10/2016 | -       | (24 )   | -    | -       |
| Ecommerce Industries, Inc.*               | One stop    | L +<br>8.27% | 9.52                 | %   | 10/2016 | 13,174  | 13,002  | 2.6  | 13,174  |
| Entrust, Inc./Entrust Limited*            | Second lien | L +<br>9.50% | 10.75                | %   | 04/2019 | 5,204   | 5,155   | 1.0  | 5,204   |
| Entrust, Inc./Entrust Limited*            | Second lien | L +<br>9.50% | 10.75                | %   | 04/2019 | 11,523  | 11,415  | 2.3  | 11,523  |
| Rogue Wave Holdings, Inc.*                | One stop    | L +<br>9.61% | 10.86                | %   | 11/2017 | 6,307   | 6,233   | 1.3  | 6,307   |
| Sparta Systems, Inc. <sup>(4)</sup>       | Senior loan | L +<br>5.25% | NA                   | (5) | 12/2017 | -       | (8 )    | -    | -       |
| Sparta Systems, Inc.                      | Senior loan | L +<br>5.25% | 6.50                 | %   | 12/2017 | 6,838   | 6,757   | 1.4  | 6,838   |

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|  |                   |              |                       |     |         |        |        |      |        |   |
|--|-------------------|--------------|-----------------------|-----|---------|--------|--------|------|--------|---|
| Syncsort Incorporated <sup>(4)</sup>     | Senior loan       | L +<br>5.50% | NA                    | (5) | 03/2015 | -      | (3     | )    | -      | - |
| Syncsort Incorporated*                   | Senior loan       | P +<br>4.25% | 7.50                  | %   | 03/2015 | 7,138  | 7,047  | 1.4  | 7,138  |   |
| Time-O-Matic, Inc.                       | Subordinated debt | N/A          | 12.00% cash/1.25% PIK |     | 12/2016 | 11,634 | 11,480 | 2.3  | 11,634 |   |
|  |                   |              |                       |     |         | 62,986 | 62,216 | 12.5 | 62,986 |   |
| Farming and Agriculture                  |                   |              |                       |     |         |        |        |      |        |   |
| AGData, L.P.                             | One stop          | L +<br>6.25% | 7.75                  | %   | 08/2016 | 2,734  | 2,708  | 0.5  | 2,734  |   |
| Finance                                  |                   |              |                       |     |         |        |        |      |        |   |
| Ascensus, Inc.*                          | One stop          | L +<br>6.75% | 8.00                  | %   | 12/2018 | 18,048 | 17,701 | 3.6  | 18,048 |   |
| Bonddesk Group LLC*                      | Senior loan       | L +<br>5.00% | 6.50                  | %   | 09/2016 | 995    | 988    | 0.2  | 995    |   |
| Compass Group Diversified Holdings, LLC* | Senior loan       | P +<br>4.00% | 7.25                  | %   | 10/2017 | 8,344  | 8,020  | 1.7  | 8,397  |   |
| Pillar Processing LLC <sup>(3)</sup>     | Senior loan       | L +<br>5.50% | 5.81                  | %   | 11/2018 | 1,706  | 1,697  | 0.3  | 1,535  |   |
| Pillar Processing LLC <sup>(3)</sup>     | Senior loan       | N/A          | 14.50                 | %   | 05/2019 | 3,125  | 2,714  | 0.1  | 625    |   |
|  |                   |              |                       |     |         | 32,218 | 31,120 | 5.9  | 29,600 |   |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited) - (Continued)**

**March 31, 2013**

*(In thousands)*

|  | Investment  | Spread Above         | Interest            | Maturity               | Principal |       | Percentage          |            |  |
|--|-------------|----------------------|---------------------|------------------------|-----------|-------|---------------------|------------|--|
|  | Type        | Index <sup>(1)</sup> | Rate <sup>(2)</sup> | Date                   | Amount    | Cost  | of Total Net Assets | Fair Value |  |
| Healthcare, Education and Childcare                    |             |                      |                     |                        |           |       |                     |            |  |
| Advanced Pain Management Holdings, Inc. <sup>(4)</sup> | Senior loan | L + 5.00%            | NA                  | <sup>(5)</sup> 02/2018 | -         | (8 )  | -                   | (8 )       |  |
| Advanced Pain Management Holdings, Inc. <sup>(4)</sup> | Senior loan | L + 5.00%            | NA                  | <sup>(5)</sup> 02/2018 | -         | (11 ) | -                   | (12 )      |  |
| Advanced Pain Management Holdings, Inc.*               | Senior loan | L + 5.00%            | 6.25                | % 02/2018              | 7,401     | 7,328 | 1.5                 | 7,327      |  |
| Alegeus Technologies, LLC*                             | Senior loan | L + 5.00%            | 6.50                | % 08/2018              | 869       | 857   | 0.2                 | 869        |  |
| Avatar International, LLC                              | One stop    | L + 8.00%            | 9.25                | % 09/2016              | 1,673     | 1,658 | 0.3                 | 1,673      |  |
| Avatar International, LLC <sup>(4)</sup>               | One stop    | L + 7.50%            | NA                  | <sup>(5)</sup> 09/2016 | -         | (7 )  | -                   | -          |  |
| Avatar International, LLC*                             | One stop    | L + 7.50%            | 8.75                | % 09/2016              | 7,754     | 7,661 | 1.6                 | 7,754      |  |
| Campus Management Acquisition Corp.                    | Second lien | L + 9.14%            | 10.89               | % 09/2015              | 5,020     | 4,970 | 0.9                 | 4,518      |  |
| DDC Center Inc.  | One stop    | P + 5.25%            | 10.75               | % 10/2013              | 91        | 91    | -                   | 91         |  |
| DDC Center Inc.*                                       | One stop    | L + 6.50%            | 9.50                | % 10/2014              | 8,063     | 8,072 | 1.6                 | 8,063      |  |
| Delta Educational                                      | Senior loan | P + 4.75%            | 8.00                | % 12/2016              | 2,116     | 2,083 | 0.4                 | 2,010      |  |

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|   |                   |              |                       |                        |        |        |     |        |
|---|-------------------|--------------|-----------------------|------------------------|--------|--------|-----|--------|
| Systems*<br>Dialysis<br>Newco, Inc.                           | Subordinated debt | N/A          | 11.00% cash/2.00% PIK | 09/2018                | 8,883  | 8,777  | 1.8 | 8,883  |
| Encore<br>Rehabilitation<br>Services,<br>LLC <sup>(4)</sup>   | One stop          | L +<br>6.25% | NA                    | <sup>(5)</sup> 06/2017 | -      | (14 )  | -   | -      |
| Encore<br>Rehabilitation<br>Services, LLC                     | One stop          | L +<br>6.25% | 7.50                  | % 06/2017              | 5,164  | 5,044  | 1.0 | 5,164  |
| G & H Wire<br>Company,<br>Inc. <sup>(4)</sup>                 | Senior loan       | L +<br>5.50% | NA                    | <sup>(5)</sup> 11/2016 | -      | (11 )  | -   | -      |
| G & H Wire<br>Company, Inc.*                                  | Senior loan       | L +<br>5.50% | 7.00                  | % 11/2016              | 8,915  | 8,789  | 1.8 | 8,915  |
| Healogics, Inc.   | Second lien       | L +<br>8.00% | 9.25                  | % 02/2020              | 16,454 | 16,293 | 3.4 | 16,989 |
| Hospitalists<br>Management<br>Group, LLC                      | Senior loan       | L +<br>4.50% | 6.00                  | % 05/2017              | 455    | 446    | 0.1 | 410    |
| Hospitalists<br>Management<br>Group, LLC                      | Senior loan       | L +<br>4.50% | 6.00                  | % 05/2017              | 269    | 260    | -   | 224    |
| Hospitalists<br>Management<br>Group, LLC                      | Senior loan       | L +<br>4.50% | 6.00                  | % 05/2017              | 3,814  | 3,749  | 0.7 | 3,624  |
| IntegraMed<br>America, Inc. <sup>(4)</sup>                    | One stop          | L +<br>7.25% | NA                    | <sup>(5)</sup> 09/2017 | -      | (16 )  | -   | -      |
| IntegraMed<br>America, Inc.*                                  | One stop          | L +<br>7.25% | 8.50                  | % 09/2017              | 14,530 | 14,235 | 2.9 | 14,530 |
| Maverick<br>Healthcare<br>Group, LLC*                         | Senior loan       | L +<br>5.50% | 7.25                  | % 12/2016              | 2,080  | 2,058  | 0.4 | 2,080  |
| NeuroTherm,<br>Inc.   | Senior loan       | P +<br>4.00% | 7.25                  | % 02/2016              | 76     | 72     | -   | 76     |
| NeuroTherm,<br>Inc.*  | Senior loan       | L +<br>5.00% | 6.50                  | % 02/2016              | 1,522  | 1,503  | 0.3 | 1,522  |
| Northwestern<br>Management<br>Services,<br>LLC <sup>(4)</sup> | Senior loan       | L +<br>5.50% | NA                    | <sup>(5)</sup> 10/2017 | -      | (5 )   | -   | -      |
| Northwestern<br>Management<br>Services,<br>LLC <sup>(4)</sup> | Senior loan       | L +<br>5.50% | NA                    | <sup>(5)</sup> 10/2017 | -      | (5 )   | -   | -      |
| Northwestern<br>Management<br>Services, LLC*                  | Senior loan       | L +<br>5.50% | 6.75                  | % 10/2017              | 3,065  | 3,031  | 0.6 | 3,065  |
| Pentec<br>Acquisition<br>Sub, Inc. <sup>(4)</sup>             | Senior loan       | L +<br>5.25% | NA                    | <sup>(5)</sup> 05/2017 | -      | (3 )   | -   | (24 )  |

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|   |             |              |      |     |         |         |         |      |         |
|---|-------------|--------------|------|-----|---------|---------|---------|------|---------|
| Pentec Acquisition Sub, Inc.*                                       | Senior loan | L +<br>5.25% | 6.50 | %   | 05/2018 | 2,186   | 2,148   | 0.4  | 1,924   |
| PhysioTherapy Associates Holdings, Inc.*                            | Senior loan | L +<br>4.75% | 6.00 | %   | 04/2018 | 575     | 565     | 0.1  | 578     |
| Reliant Pro ReHab, LLC  | Senior loan | L +<br>4.75% | 6.00 | %   | 06/2016 | 966     | 954     | 0.2  | 966     |
| Reliant Pro ReHab, LLC  | Senior loan | P +<br>3.75% | 7.00 | %   | 06/2016 | 621     | 614     | 0.1  | 621     |
| Reliant Pro ReHab, LLC*   | Senior loan | L +<br>4.75% | 6.00 | %   | 06/2016 | 3,505   | 3,465   | 0.7  | 3,505   |
| Renaissance Pharma (U.S.) Holdings Inc. <sup>(4)</sup>              | Senior loan | L +<br>5.25% | NA   | (5) | 06/2017 | -       | (5 )    | -    | -       |
| Renaissance Pharma (U.S.) Holdings Inc.                             | Senior loan | L +<br>5.25% | 6.75 | %   | 06/2017 | 2,388   | 2,347   | 0.5  | 2,388   |
| Southern Anesthesia and Surgical <sup>(4)</sup>                     | One stop    | L +<br>7.00% | NA   | (5) | 11/2017 | -       | (15 )   | -    | -       |
| Southern Anesthesia and Surgical                                    | One stop    | L +<br>7.00% | 8.25 | %   | 11/2017 | 6,312   | 6,167   | 1.3  | 6,312   |
| Surgical Information Systems, LLC                                   | Senior loan | L +<br>8.12% | 9.62 | %   | 12/2015 | 3,730   | 3,689   | 0.7  | 3,730   |
| WIL Research Company, Inc.*   | Senior loan | L +<br>5.25% | 6.75 | %   | 04/2018 | 788     | 778     | 0.2  | 788     |
| Young Innovations, Inc. <sup>(4)</sup>                              | Senior loan | L +<br>5.00% | NA   | (5) | 01/2018 | -       | (3 )    | -    | (3 )    |
| Young Innovations, Inc.   | Senior loan | L +<br>5.00% | 6.25 | %   | 01/2019 | 4,937   | 4,901   | 1.0  | 4,900   |
|   |             |              |      |     |         | 124,222 | 122,502 | 24.7 | 123,452 |
| Home and Office Furnishings, Housewares, and Durable Consumer Goods |             |              |      |     |         |         |         |      |         |
| Top Knobs USA, Inc.*  | Senior loan | L +<br>5.75% | 7.00 | %   | 11/2017 | 2,124   | 2,099   | 0.4  | 2,124   |
| WII Components, Inc.  | Senior loan | P +<br>3.75% | 7.00 | %   | 07/2016 | 9       | 8       | -    | 9       |
| WII Components, Inc.*   | Senior loan | L +<br>4.75% | 6.25 | %   | 07/2016 | 1,685   | 1,669   | 0.3  | 1,685   |
|   | One stop    |              | 5.95 | %   | 09/2013 | 3,329   | 3,308   | 0.7  | 3,329   |

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|   |             |              |      |     |         |        |        |     |        |
|---|-------------|--------------|------|-----|---------|--------|--------|-----|--------|
| Zenith Products Corporation*                          |             | L +<br>5.75% |      |     |         | 7,147  | 7,084  | 1.4 | 7,147  |
| Insurance   |             |              |      |     |         |        |        |     |        |
| AssuredPartners Capital, Inc. <sup>(4)</sup>          | Senior loan | L +<br>5.25% | NA   | (5) | 11/2018 | -      | (18 )  | -   | -      |
| AssuredPartners Capital, Inc.*                        | Senior loan | L +<br>5.25% | 6.50 | %   | 05/2018 | 1,522  | 1,508  | 0.3 | 1,522  |
| Captive Resources Midco, LLC <sup>(4)</sup>           | Senior loan | L +<br>5.50% | NA   | (5) | 10/2017 | -      | (4 )   | -   | -      |
| Captive Resources Midco, LLC*                         | Senior loan | L +<br>5.50% | 6.75 | %   | 10/2018 | 3,579  | 3,546  | 0.7 | 3,579  |
| Evolution1, Inc. <sup>(4)</sup>                       | Senior loan | L +<br>4.75% | NA   | (5) | 06/2016 | -      | (16 )  | -   | -      |
| Evolution1, Inc. <sup>(4)</sup>                       | Senior loan | L +<br>4.75% | NA   | (5) | 06/2016 | -      | (3 )   | -   | -      |
| Evolution1, Inc.*                                     | Senior loan | L +<br>4.75% | 6.25 | %   | 06/2016 | 4,596  | 4,551  | 0.9 | 4,596  |
|   |             |              |      |     |         | 9,697  | 9,564  | 1.9 | 9,697  |
| Leisure, Amusement, Motion Pictures and Entertainment |             |              |      |     |         |        |        |     |        |
| Competitor Group, Inc. <sup>(4)</sup>                 | One stop    | L +<br>7.75% | NA   | (5) | 11/2018 | -      | (49 )  | -   | -      |
| Competitor Group, Inc.                                | One stop    | L +<br>7.75% | 9.00 | %   | 11/2018 | 766    | 752    | 0.2 | 766    |
| Competitor Group, Inc.*                               | One stop    | L +<br>7.75% | 9.00 | %   | 11/2018 | 12,838 | 12,626 | 2.6 | 12,838 |
| Octane Fitness, LLC*                                  | One stop    | L +<br>5.50% | 7.00 | %   | 12/2015 | 4675   | 4571   | 0.9 | 4675   |
| Pride Manufacturing Company, LLC*                     | Senior loan | L +<br>6.00% | 7.75 | %   | 11/2015 | 673    | 666    | 0.1 | 673    |
| Service Companies, The*                               | Senior loan | L +<br>6.50% | 9.00 | %   | 03/2014 | 6,484  | 6,447  | 1.3 | 6,484  |
| Starplex Operating, L.L.C.                            | One stop    | L +<br>7.50% | 9.00 | %   | 12/2017 | 1,077  | 1,050  | 0.2 | 1,077  |
| Starplex Operating, L.L.C.*                           | One stop    | L +<br>7.50% | 9.00 | %   | 12/2017 | 14,343 | 14,106 | 2.9 | 14,343 |
|   |             |              |      |     |         | 40,856 | 40,169 | 8.2 | 40,856 |
| Mining, Steel, Iron and Non-Precious                  |             |              |      |     |         |        |        |     |        |

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|                               |          |              |      |     |         |       |       |     |       |   |
|-------------------------------|----------|--------------|------|-----|---------|-------|-------|-----|-------|---|
| Metals                        |          |              |      |     |         |       |       |     |       |   |
| Benetech, Inc. <sup>(4)</sup> | One stop | L +<br>6.00% | NA   | (5) | 10/2017 | -     | (5    | )   | -     | - |
| Benetech, Inc.*               | One stop | L +<br>6.00% | 7.25 | %   | 10/2017 | 5,651 | 5,625 | 1.1 | 5,651 |   |
|                               |          |              |      |     |         | 5,651 | 5,620 | 1.1 | 5,651 |   |

See Notes to Consolidated Financial Statements.



**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited) - (Continued)**

**March 31, 2013**

*(In thousands)*

|  | Investment  | Spread Above         | Interest             | Maturity               | Principal |        | Percentage          |
|--|-------------|----------------------|----------------------|------------------------|-----------|--------|---------------------|
|  | Type        | Index <sup>(1)</sup> | Rate <sup>(2)</sup>  | Date                   | Amount    | Cost   | of Total Net Assets |
| Personal and Non-Durable Consumer Products           |             |                      |                      |                        |           |        |                     |
| Dr. Miracles, Inc.*                                  | One stop    | L + 7.50%            | 8.00% cash/2.00% PIK | 06/2013                | 2,517     | 2,514  | 0.5                 |
| Hygenic Corporation, The <sup>(4)</sup>              | Senior loan | L + 4.50%            | NA                   | <sup>(5)</sup> 10/2017 | -         | (4 )   | -                   |
| Hygenic Corporation, The*                            | Senior Loan | L + 4.50%            | 5.75                 | % 10/2018              | 3,380     | 3,333  | 0.7                 |
| Massage Envy, LLC <sup>(4)</sup>                     | One stop    | L + 7.25%            | NA                   | <sup>(5)</sup> 09/2018 | -         | (17 )  | -                   |
| Massage Envy, LLC                                    | One stop    | L + 7.25%            | 8.50                 | % 09/2018              | 16,848    | 16,465 | 3.4                 |
| Team Technologies Acquisition Company <sup>(4)</sup> |             |                      |                      |                        |           |        |                     |
| Team Technologies Acquisition Company                | Senior loan | L + 4.75%            | NA                   | <sup>(5)</sup> 12/2017 | -         | (4 )   | -                   |
| Team Technologies Acquisition Company                | Senior loan | L + 4.75%            | 6.00                 | % 12/2017              | 3,537     | 3,504  | 0.7                 |
|  |             |                      |                      |                        | 26,282    | 25,791 | 5.3                 |
| Personal, Food and Miscellaneous Services            |             |                      |                      |                        |           |        |                     |
| Affordable Care Inc. <sup>(4)</sup>                  | Senior loan | L + 4.75%            | NA                   | <sup>(5)</sup> 12/2017 | -         | (2 )   | -                   |
| Affordable Care Inc.                                 | Senior loan | L + 4.75%            | 6.00                 | % 12/2018              | 3,559     | 3,525  | 0.7                 |
| Automatic Bar Controls, Inc.                         | Senior loan | P + 4.50%            | 7.75                 | % 03/2016              | 20        | 19     | -                   |
| Automatic Bar Controls, Inc.*                        | Senior loan | L + 5.75%            | 7.25                 | % 03/2016              | 943       | 934    | 0.2                 |
| Brasa (Holdings) Inc.*                               | Senior loan | L + 6.25%            | 7.50                 | % 07/2019              | 5,100     | 4,962  | 1.0                 |

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|  |                   |              |                       |     |         |        |        |     |
|--|-------------------|--------------|-----------------------|-----|---------|--------|--------|-----|
| Focus Brands Inc.  | Senior loan       | L +<br>5.00% | 6.25                  | %   | 02/2018 | 5,661  | 5,615  | 1.1 |
| Focus Brands Inc.  | Second lien       | L +<br>9.00% | 10.25                 | %   | 08/2018 | 11,195 | 11,064 | 2.3 |
| National Veterinary Associates, Inc.                           | Senior loan       | L +<br>5.00% | 6.25                  | %   | 12/2017 | 621    | 607    | 0.1 |
| National Veterinary Associates, Inc. <sup>(4)</sup>            | Senior loan       | L +<br>5.00% | NA                    | (5) | 12/2017 | -      | (1 )   | -   |
| National Veterinary Associates, Inc.                           | Senior loan       | L +<br>5.00% | 6.25                  | %   | 12/2017 | 6,052  | 6,002  | 1.2 |
| PMI Holdings, Inc.   | Senior loan       | L +<br>4.75% | 5.75                  | %   | 06/2017 | 93     | 91     | -   |
| PMI Holdings, Inc.   | Senior loan       | L +<br>4.75% | 5.75                  | %   | 06/2017 | 2,649  | 2,627  | 0.5 |
| Restaurant Technologies, Inc.                                  | Senior loan       | L +<br>4.75% | 6.00                  | %   | 05/2017 | 117    | 116    | -   |
| Restaurant Technologies, Inc.*                                 | Senior loan       | L +<br>4.75% | 6.00                  | %   | 05/2017 | 1,072  | 1,064  | 0.2 |
| Trusthouse Service Group, Inc.                                 | Senior loan       | L +<br>5.25% | 6.75                  | %   | 06/2018 | 99     | 95     | -   |
| Trusthouse Service Group, Inc. <sup>(4)</sup>                  | Senior loan       | L +<br>5.25% | NA                    | (5) | 06/2017 | -      | (4 )   | -   |
| Trusthouse Service Group, Inc.                                 | Senior loan       | L +<br>5.25% | 6.75                  | %   | 06/2018 | 2,961  | 2,916  | 0.6 |
| Vetcor Merger Sub LLC <sup>(4)</sup>                           | One stop          | L +<br>6.50% | NA                    | (5) | 12/2017 | -      | (24 )  | -   |
| Vetcor Merger Sub LLC  | One stop          | L +<br>6.50% | 7.75                  | %   | 12/2017 | 241    | 234    | -   |
| Vetcor Merger Sub LLC*   | One stop          | L +<br>6.50% | 7.75                  | %   | 12/2017 | 5,983  | 5,919  | 1.2 |
|  |                   |              |                       |     |         | 46,366 | 45,759 | 9.1 |
| Personal Transportation PODS Funding Corp. II                  | Subordinated debt | N/A          | 21.00% PIK            |     | 11/2017 | 579    | 579    | 0.1 |
| PODS Funding Corp. II  | Subordinated debt | N/A          | 21.00% PIK            |     | 11/2017 | 3,400  | 3,400  | 0.7 |
| PODS Funding Corp. II  | Second lien       | N/A          | 10.50% cash/5.00% PIK |     | 05/2017 | 453    | 448    | 0.1 |
| PODS Funding Corp. II  | Second lien       | N/A          | 10.50% cash/5.00% PIK |     | 05/2017 | 2,125  | 2,080  | 0.4 |
| PODS Funding Corp. II  | Senior loan       | L +<br>6.00% | 7.25                  | %   | 11/2016 | 761    | 744    | 0.2 |
| PODS Funding Corp. II*   | Senior loan       | L +<br>6.00% | 7.25                  | %   | 11/2016 | 6,711  | 6,567  | 1.3 |
|  |                   |              |                       |     |         | 14,029 | 13,818 | 2.8 |
| Printing and Publishing Digital Technology International, LLC. | One stop          | P +<br>6.00% | 9.25                  | %   | 09/2016 | 928    | 922    | 0.2 |
|  | One stop          |              | 8.75                  | %   | 09/2016 | 6,235  | 6,146  | 1.2 |

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|  |             |               |                      |     |         |        |        |     |
|--|-------------|---------------|----------------------|-----|---------|--------|--------|-----|
| Digital Technology International, LLC.         |             | L +<br>7.25%  |                      |     |         |        |        |     |
| Market Track, LLC <sup>(4)</sup>               | Senior loan | L +<br>6.11%  | NA                   | (5) | 08/2018 | -      | (5)    | -   |
| Market Track, LLC*                             | Senior loan | L +<br>6.11%  | 7.36                 | %   | 08/2018 | 3,130  | 3,088  | 0.6 |
| Market Track, LLC <sup>(4)</sup>               | Senior loan | L +<br>7.65%  | NA                   | (5) | 08/2018 | -      | (4)    | -   |
| Trade Service Company, LLC <sup>(4)</sup>      | One stop    | L +<br>5.75%  | NA                   | (5) | 10/2016 | -      | (1)    | -   |
| Trade Service Company, LLC*                    | One stop    | L +<br>5.75%  | 7.00                 | %   | 10/2016 | 1,614  | 1,597  | 0.3 |
|  |             |               |                      |     |         | 11,907 | 11,743 | 2.3 |
| Retail Stores                                  |             |               |                      |     |         |        |        |     |
| Barcelona Restaurants, LLC <sup>(4)(6)</sup>   | One stop    | L +<br>10.00% | NA                   | (5) | 03/2017 | -      | (5)    | -   |
| Barcelona Restaurants, LLC <sup>*(6)</sup>     | One stop    | L +<br>10.00% | 11.50                | %   | 03/2017 | 5,735  | 5,640  | 1.1 |
| Benihana, Inc. <sup>(4)</sup>                  | One stop    | L +<br>8.00%  | NA                   | (5) | 08/2017 | -      | (32)   | -   |
| Benihana, Inc.*                                | One stop    | L +<br>8.00%  | 9.25                 | %   | 02/2018 | 13,422 | 13,107 | 2.7 |
| Capital Vision Services, LLC <sup>(4)</sup>    | One stop    | L +<br>7.25%  | NA                   | (5) | 12/2017 | -      | (17)   | -   |
| Capital Vision Services, LLC                   | One stop    | L +<br>7.25%  | 8.50                 | %   | 12/2017 | 475    | 462    | 0.1 |
| Capital Vision Services, LLC*                  | One stop    | L +<br>7.25%  | 8.50                 | %   | 12/2017 | 13,425 | 13,237 | 2.7 |
| DTLR, Inc.*                                    | One stop    | L +<br>8.00%  | 11.00                | %   | 12/2015 | 17,190 | 17,023 | 3.4 |
| Marshall Retail Group, LLC, The <sup>(4)</sup> | Senior loan | L +<br>6.50%  | NA                   | (5) | 10/2016 | -      | (13)   | -   |
| Marshall Retail Group, LLC, The*               | Senior loan | L +<br>6.50%  | 8.00                 | %   | 10/2016 | 10,279 | 10,126 | 2.1 |
| Restaurant Holding Company, LLC                | Senior loan | L +<br>7.50%  | 9.00                 | %   | 02/2017 | 9,313  | 9,168  | 1.9 |
| Rubio's Restaurants, Inc.*                     | One stop    | L +<br>7.75%  | 8.75% cash/0.75% PIK |     | 06/2015 | 8,001  | 7,924  | 1.6 |
| Sneaker Villa, Inc. <sup>(4)</sup>             | One stop    | L +<br>8.50%  | NA                   | (5) | 12/2017 | -      | (9)    | -   |
| Sneaker Villa, Inc. <sup>(4)</sup>             | One stop    | L +<br>8.50%  | NA                   | (5) | 12/2017 | -      | (18)   | -   |
| Sneaker Villa, Inc.                            | One stop    | L +<br>8.50%  | 10.00                | %   | 12/2017 | 4,607  | 4,498  | 0.9 |
| Specialty Catalog Corp. <sup>(4)</sup>         | One stop    | L +<br>6.00%  | NA                   | (5) | 07/2017 | -      | (7)    | -   |
| Specialty Catalog Corp.                        | One stop    | L +<br>6.00%  | 7.50                 | %   | 07/2017 | 5,291  | 5,230  | 1.1 |
| Vision Source L.P. <sup>(4)</sup>              | One stop    | L +<br>6.75%  | NA                   | (5) | 04/2016 | -      | (7)    | -   |

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|  |             |              |      |     |         |           |           |           |
|--|-------------|--------------|------|-----|---------|-----------|-----------|-----------|
| Vision Source L.P.*                                  | One stop    | L +<br>6.75% | 8.00 | %   | 04/2016 | 13,031    | 12,867    | 2.6       |
|  |             |              |      |     |         | 100,769   | 99,174    | 20.2      |
| Telecommunications                                   |             |              |      |     |         |           |           |           |
| Hosting.com Inc.                                     | Senior loan | P +<br>3.25% | 6.50 | %   | 10/2016 | 27        | 26        | -         |
| Hosting.com Inc.*                                    | Senior loan | L +<br>4.50% | 5.75 | %   | 10/2016 | 822       | 813       | 0.2       |
| NameMedia, Inc.                                      | Senior loan | L +<br>6.00% | NA   | (5) | 11/2014 | -         | -         | -         |
| NameMedia, Inc.                                      | Senior loan | L +<br>6.00% | 7.50 | %   | 11/2014 | 1,331     | 1,318     | 0.3       |
|  |             |              |      |     |         | 2,180     | 2,157     | 0.5       |
| Utilities  |             |              |      |     |         |           |           |           |
| PowerPlan<br>Consultants, Inc. <sup>(4)</sup>        | Senior loan | L +<br>5.25% | NA   | (5) | 03/2017 | -         | (1 )      | -         |
| PowerPlan<br>Consultants, Inc.*                      | Senior loan | L +<br>5.25% | 6.75 | %   | 03/2018 | 4,783     | 4,725     | 1.0       |
|  |             |              |      |     |         | 4,783     | 4,724     | -         |
| Total debt<br>investments United<br>States           |             |              |      |     |         | \$768,823 | \$756,596 | 152.4% \$ |
| Fair Value as a<br>percentage of<br>Principal Amount |             |              |      |     |         |           |           |           |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited) - (Continued)**

**March 31, 2013**

*(In thousands)*

|  | Investment             | Spread Above         | Interest Rate <sup>(2)</sup> | Maturity Date | Principal Amount/Shares/Contracts | Cost  | Percentage of Total Net Assets | Fair Value |
|--|------------------------|----------------------|------------------------------|---------------|-----------------------------------|-------|--------------------------------|------------|
|  | Type                   | Index <sup>(1)</sup> |                              |               |                                   |       |                                |            |
| Equity investments                     |                        |                      |                              |               |                                   |       |                                |            |
| Aerospace and Defense                  |                        |                      |                              |               |                                   |       |                                |            |
| Tresys Technology Holdings, Inc.       | Common stock           | N/A                  | N/A                          | N/A           | 295                               | \$295 | 0.1 %                          | \$295      |
| Whitcraft LLC                          | Common stock           | N/A                  | N/A                          | N/A           | 1                                 | 670   | 0.1                            | 676        |
| Whitcraft LLC                          | Warrant                | N/A                  | N/A                          | N/A           | -                                 | -     | -                              | 132        |
|  |                        |                      |                              |               |                                   | 965   | 0.2                            | 1,103      |
| Automobile                             |                        |                      |                              |               |                                   |       |                                |            |
| ABRA, Inc                              | LLC interest           | N/A                  | N/A                          | N/A           | 208                               | 1,471 | 0.4                            | 2,155      |
| Express Oil Change, LLC                | LLC Interest           | N/A                  | N/A                          | N/A           | 77                                | 81    | -                              | 81         |
| K&N Engineering, Inc.                  | Common stock           | N/A                  | N/A                          | N/A           | -                                 | 4     | -                              | 22         |
| K&N Engineering, Inc.                  | Preferred stock A      | N/A                  | N/A                          | N/A           | -                                 | 62    | -                              | 73         |
| K&N Engineering, Inc.                  | Preferred stock B      | N/A                  | N/A                          | N/A           | -                                 | 18    | -                              | 23         |
|  |                        |                      |                              |               |                                   | 1,636 | 0.4                            | 2,354      |
| 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 Nutritionals, Inc.              | LLC interest           | N/A                  | N/A                          | N/A           | 51                                | 746   | 0.2                            | 1,147      |
| First Watch Restaurants, Inc.          | Common stock           | N/A                  | N/A                          | N/A           | 7                                 | 691   | 0.1                            | 746        |
| Goode Seed Co-Invest, LLC              | LLC units              | N/A                  | N/A                          | N/A           | 356                               | 356   | 0.1                            | 356        |
| Julio & Sons Company                   | LLC interest           | N/A                  | N/A                          | N/A           | 521                               | 521   | 0.1                            | 619        |
| Northern Brewer, LLC                   | LLC interest           | N/A                  | N/A                          | N/A           | 142                               | 315   | 0.1                            | 315        |
| Richelieu Foods, Inc.                  | LP interest            | N/A                  | N/A                          | N/A           | 220                               | 220   | -                              | 193        |
|  |                        |                      |                              |               |                                   | 2,849 | 0.6                            | 3,376      |
| Diversified Conglomerate Manufacturing |                        |                      |                              |               |                                   |       |                                |            |

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|   |                 |     |     |     |       |       |     |       |
|---|-----------------|-----|-----|-----|-------|-------|-----|-------|
| Oasis Outsourcing Holdings, Inc.        | LLC interest    | N/A | N/A | N/A | 1,088 | 1,088 | 0.4 | 1,750 |
| Sunless Merger Sub, Inc                 | Preferred stock | N/A | N/A | N/A | -     | 148   | -   | 46    |
| TIDI Products, LLC                      | LLC interest    | N/A | N/A | N/A | 315   | 315   | 0.1 | 368   |
|   |                 |     |     |     |       | 1,551 | 0.5 | 2,164 |
| Diversified                             |                 |     |     |     |       |       |     |       |
| Conglomerate Service                    |                 |     |     |     |       |       |     |       |
| Document Technologies, LLC              | LLC interest    | N/A | N/A | N/A | 24    | 490   | 0.1 | 536   |
| Marathon Data Operating Co., LLC        | Common stock    | N/A | N/A | N/A | 1     | 666   | 0.2 | 757   |
| Marathon Data Operating Co., LLC        | Preferred stock | N/A | N/A | N/A | 1     | 264   | 0.1 | 264   |
| Navex Global, Inc.                      | LP interest     | N/A | N/A | N/A | -     | 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 | 2,142 |
| 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    | 0.1 | 392   |
| Advanced Pain Management Holdings, Inc. | Preferred stock | N/A | N/A | N/A | 13    | 829   | 0.2 | 838   |
| Avatar International, LLC               | LP interest     | N/A | N/A | N/A | 1     | 695   | 0.1 | 695   |
| Dialysis Newco, Inc.                    | LLC interest    | N/A | N/A | N/A | 871   | 871   | 0.2 | 932   |
| Encore Rehabilitation Services, LLC     | LLC interest    | N/A | N/A | N/A | 270   | 270   | 0.1 | 270   |
| 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    | -   | 22    |
| IntegraMed America, Inc.                | Common stock    | N/A | N/A | N/A | 1     | 514   | 0.1 | 607   |
| National Healing Corporation            | Preferred stock | N/A | N/A | N/A | 695   | 799   | 0.2 | 882   |
| NeuroTherm, Inc.                        | Common stock    | N/A | N/A | N/A | 1     | 569   | 0.1 | 569   |
| Northwestern Management Services, LLC   | LLC units       | N/A | N/A | N/A | 3     | 3     | -   | 8     |
| Northwestern Management Services, LLC   | LLC units       | N/A | N/A | N/A | -     | 249   | 0.1 | 259   |
| Pentec Acquisition Sub, Inc.            | Preferred stock | N/A | N/A | N/A | 1     | 116   | -   | 23    |

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|   |                 |     |     |     |     |       |     |       |
|---|-----------------|-----|-----|-----|-----|-------|-----|-------|
| Reliant Pro ReHab, LLC  | Preferred stock | N/A | N/A | N/A | 2   | 264   | 0.1 | 273   |
| Southern Anesthesia and Surgical                              | LLC units       | N/A | N/A | N/A | 487 | 487   | 0.1 | 487   |
| Surgical Information Systems, LLC                             | Common stock    | N/A | N/A | N/A | 4   | 414   | 0.1 | 346   |
| Young Innovations, Inc.                                       | Preferred stock | N/A | N/A | N/A | -   | 236   | -   | 236   |
|   |                 |     |     |     |     | 6,523 | 1.5 | 6,941 |
| Home and Office Furnishings, Housewares, and Durable Consumer |                 |     |     |     |     |       |     |       |
| Top Knobs USA, Inc.   | Common stock    | N/A | N/A | N/A | 3   | 73    | -   | 89    |
| Insurance   |                 |     |     |     |     |       |     |       |
| Captive Resources Midco, LLC                                  | LLC units       | N/A | N/A | N/A | 1   | 121   | -   | 121   |
| Leisure, Amusement, Motion Pictures and Entertainment         |                 |     |     |     |     |       |     |       |
| Competitor Group Holdings, Inc.                               | LLC interest    | N/A | N/A | N/A | 708 | 708   | 0.1 | 708   |
| Personal and Non-Durable Consumer Products                    |                 |     |     |     |     |       |     |       |
| Hygenic Corporation, The                                      | LP interest     | N/A | N/A | N/A | 1   | 61    | -   | 61    |
| Massage Envy, LLC   | LLC interest    | N/A | N/A | N/A | 749 | 749   | 0.1 | 749   |
| Team Technologies Acquisition Company                         | Common stock    | N/A | N/A | N/A | -   | 148   | -   | 148   |
|   |                 |     |     |     |     | 958   | 0.1 | 958   |
| Personal Transportation                                       |                 |     |     |     |     |       |     |       |
| PODS Funding Corp. II   | Warrant         | N/A | N/A | N/A | 271 | -     | -   | 85    |
| Printing and Publishing                                       |                 |     |     |     |     |       |     |       |
| Market Track, LLC   | Preferred stock | N/A | N/A | N/A | -   | 145   | -   | 160   |
| Market Track, LLC   | Common stock    | N/A | N/A | N/A | 1   | 145   | -   | 155   |
|   |                 |     |     |     |     | 290   | -   | 315   |

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments (unaudited) - (Continued)**

**March 31, 2013**

(In thousands)

| Investment<br>Type                            | Spread<br>Above<br>Index <sup>(1)</sup> | Interest<br>Rate <sup>(2)</sup> | Maturity<br>Date | Principal                   |       | Percentage                |               |             |
|---|---|---------------------------------|------------------|-----------------------------|-------|---------------------------|---------------|-------------|
|   |   |                                 |                  | Amount/Shares/<br>Contracts | Cost  | of Total<br>Net<br>Assets | Fair<br>Value |             |
| <b>Retail Stores</b>                          |   |                                 |                  |                             |       |                           |               |             |
| Barcelona Restaurants, LLC <sup>(6)</sup>     | LP interest                             | N/A                             | N/A              | N/A                         | 1,996 | 1,996                     | 0.5           | 2,538       |
| Benihana, Inc.                                | LLC interest                            | N/A                             | N/A              | N/A                         | 43    | 699                       | 0.2           | 778         |
| Capital Vision Services, LLC                  | LLC interest                            | N/A                             | N/A              | N/A                         | 402   | 402                       | 0.1           | 402         |
| Rubio's Restaurants, Inc.                     | Preferred stock                         | N/A                             | N/A              | N/A                         | 199   | 945                       | 0.1           | 682         |
| Sneaker Villa, Inc.                           | LLC interest                            | N/A                             | N/A              | N/A                         | 4     | 411                       | 0.1           | 411         |
| Vision Source L.P.                            | Common stock                            | N/A                             | N/A              | N/A                         | -     | 936                       | 0.2           | 856         |
| Vision Source L.P.                            | Common stock                            | N/A                             | N/A              | N/A                         | 9     | -                         | -             | -           |
|   |   |                                 |                  |                             |       | 5,389                     | 1.2           | 5,667       |
| <b>Total equity investments United States</b> |   |                                 |                  |                             |       | \$23,540                  | 5.2           | % \$26,023  |
| <b>Total United States</b>                    |   |                                 |                  |                             |       | \$780,136                 | 157.6         | % \$787,520 |
| <b>Total investments</b>                      |   |                                 |                  |                             |       | \$783,868                 | 157.8         | % \$788,442 |

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

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime ("P") and which reset daily, quarterly or semiannually. For each, we have (1) provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at March 31, 2013. 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 March 31, 2013.

(3) Loan was on non-accrual status as of March 31, 2013, meaning that the Company has ceased recognizing interest income on the loan.

(4)



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.

(5) The entire commitment was unfunded at March 31, 2013. As such, no interest is being earned on this investment.

(6) 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.

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Consolidated Schedule of Investments**

**September 30, 2012**

*(In thousands)*

| Investment<br>Type  | Spread<br>Above<br>Index <sup>(1)</sup> | Interest<br>Rate <sup>(2)</sup> | Maturity<br>Date      | Principal              |         | Percentage<br>of<br>Net<br>Assets | Fair<br>Value |
|---|---|---------------------------------|-----------------------|------------------------|---------|-----------------------------------|---------------|
|   |   |                                 |                       | Amount                 | Cost    |                                   |               |
| Investments   |   |                                 |                       |                        |         |                                   |               |
| Canada  |   |                                 |                       |                        |         |                                   |               |
| Debt investments  |   |                                 |                       |                        |         |                                   |               |
| Leisure,<br>Amusement,<br>Motion Pictures,<br>Entertainment |   |                                 |                       |                        |         |                                   |               |
| Extreme Fitness,<br>Inc. <sup>(3)</sup>                     | Subordinated debt                       | N/A                             | 12.00% cash/2.50% PIK | 11/2015                | \$2,870 | \$2,810                           | 0.4 % \$1,435 |
| Extreme Fitness,<br>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<br>percentage of<br>Principal Amount          |   |                                 |                       |                        |         |                                   | 57.5          |
| United States   |   |                                 |                       |                        |         |                                   |               |
| Debt investments  |   |                                 |                       |                        |         |                                   |               |
| Aerospace and<br>Defense                                    |   |                                 |                       |                        |         |                                   |               |
| ILC Dover, LP <sup>(4)</sup>                                | Senior loan                             | L +<br>6.00%                    | N/A                   | <sup>(5)</sup> 07/2017 | \$-     | \$(8 )                            | - % \$(8      |
| ILC Dover, LP   | Senior loan                             | L +<br>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<br>Technologies,<br>Inc. *                        | Senior loan                             | L +<br>5.00%                    | 6.25                  | % 03/2017              | 1,929   | 1,891                             | 0.5 % 1,890   |
| White Oak<br>Technologies,<br>Inc. <sup>(4)</sup>           | Senior loan                             | L +<br>5.00%                    | N/A                   | <sup>(5)</sup> 03/2017 | -       | (9 )                              | - % (9        |

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|  |                   |               |                       |                        |        |        |       |       |       |
|--|-------------------|---------------|-----------------------|------------------------|--------|--------|-------|-------|-------|
|  |                   |               |                       |                        |        | 8,213  | 8,045 | 2.2   | 8,069 |
| Automobile<br>ABRA, Inc. <sup>(4)</sup>                            | Subordinated debt | N/A           | N/A                   | <sup>(5)</sup> 04/2017 | -      | (22 )  | -     | -     | -     |
| ABRA, Inc.   | Subordinated debt | N/A           | 12.00% cash/1.50% PIK | 04/2017                | 9,623  | 9,445  | 2.6   | 9,623 |       |
| American<br>Driveline<br>Systems, Inc.*                            | Senior loan       | L +<br>5.50%  | 7.00                  | % 01/2016              | 2,862  | 2,814  | 0.7   | 2,776 |       |
| American<br>Driveline<br>Systems, Inc.                             | Senior loan       | P +<br>4.50%  | 7.75                  | % 01/2016              | 293    | 287    | 0.1   | 282   |       |
| CLP Auto<br>Interior<br>Corporation*                               | Senior loan       | L +<br>4.75%  | 4.97                  | % 06/2013              | 3,053  | 3,053  | 0.8   | 2,992 |       |
| Federal-Mogul<br>Corporation                                       | Senior loan       | L +<br>1.94%  | 2.17                  | % 12/2014              | 1,976  | 1,934  | 0.5   | 1,930 |       |
| Federal-Mogul<br>Corporation                                       | Senior loan       | L +<br>1.94%  | 2.16                  | % 12/2015              | 1,008  | 986    | 0.3   | 985   |       |
| K&N<br>Engineering,<br>Inc. <sup>(4)</sup>                         | Senior loan       | P +<br>4.25%  | N/A                   | <sup>(5)</sup> 12/2016 | -      | (6 )   | -     | -     |       |
| K&N<br>Engineering, Inc.   | Senior loan       | P +<br>4.25%  | 7.50                  | % 12/2016              | 3,207  | 3,153  | 0.9   | 3,207 |       |
|  |                   |               |                       |                        | 22,022 | 21,644 | 5.9   | 21,79 |       |
| Banking<br>Prommis Fin<br>Co.* <sup>(3)</sup>                      | Senior loan       | L +<br>10.50% | 0.25% cash/10.25% PIK | 06/2015                | 196    | 191    | -     | 167   |       |
| Prommis Fin<br>Co.* <sup>(3)</sup>                                 | Second lien       | L +<br>10.50% | 0.25% cash/10.25% PIK | 06/2015                | 393    | 382    | 0.1   | 259   |       |
| Prommis Fin<br>Co.* <sup>(3)</sup>                                 | Second lien       | L +<br>10.50% | 0.25% cash/10.25% PIK | 06/2015                | 196    | 191    | -     | -     |       |
| Prommis Fin Co.  | Senior loan       | L +<br>9.00%  | 10.00                 | % 06/2015              | 95     | 93     | -     | 95    |       |
|  |                   |               |                       |                        | 880    | 857    | 0.1   | 521   |       |
| Beverage, Food<br>and Tobacco<br>ABP<br>Corporation <sup>(4)</sup> | Senior loan       | L +<br>5.25%  | N/A                   | <sup>(5)</sup> 06/2016 | -      | (6 )   | -     | -     |       |
| ABP<br>Corporation*  | Senior loan       | L +<br>5.25%  | 6.75                  | % 06/2016              | 4,536  | 4,470  | 1.2   | 4,536 |       |
| Ameriqua<br>Group, LLC*  | Senior loan       | L +<br>5.00%  | 6.50                  | % 03/2016              | 1,774  | 1,749  | 0.4   | 1,685 |       |
| Ameriqua<br>Group, LLC*  | Senior loan       | L +<br>7.50%  | 9.00                  | % 03/2016              | 839    | 828    | 0.2   | 755   |       |
| Atkins<br>Nutritionals, Inc.                                       | Senior loan       | L +<br>8.88%  | 10.38                 | % 12/2015              | 5,028  | 4,926  | 1.3   | 5,028 |       |
| Candy<br>Intermediate<br>Holdings, Inc.                            | Senior loan       | L +<br>6.25%  | 7.51                  | % 06/2018              | 4,987  | 4,822  | 1.3   | 5,050 |       |
| First Watch<br>Restaurants,<br>Inc. <sup>(4)</sup>                 | One stop          | P +<br>6.50%  | N/A                   | <sup>(5)</sup> 12/2016 | -      | (30 )  | -     | -     |       |

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|  |                   |              |                       |     |         |        |        |      |        |
|--|-------------------|--------------|-----------------------|-----|---------|--------|--------|------|--------|
| First Watch Restaurants, Inc. <sup>(4)</sup>                 | One stop          | P +<br>6.50% | N/A                   | (5) | 12/2016 | -      | (30 )  | -    | -      |
| First Watch Restaurants, Inc.*                               | One stop          | P +<br>6.50% | 9.75                  | %   | 12/2016 | 11,530 | 11,335 | 3.1  | 11,530 |
| IL Fornaio (America) Corporation*                            | Senior loan       | L +<br>5.25% | 6.50                  | %   | 06/2017 | 4,423  | 4,405  | 1.2  | 4,423  |
| It'Sugar LLC   | Senior loan       | L +<br>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 <sup>(4)</sup>                          | One stop          | L +<br>5.50% | N/A                   | (5) | 09/2014 | -      | (15 )  | -    | -      |
| Julio & Sons Company*  | One stop          | L +<br>5.50% | 7.00                  | %   | 09/2016 | 7,121  | 7,065  | 1.9  | 7,121  |
| Julio & Sons Company <sup>(4)</sup>                          | One stop          | L +<br>5.50% | N/A                   | (5) | 09/2016 | -      | (12 )  | -    | -      |
| Richelieu Foods, Inc.*                                       | Senior loan       | L +<br>5.00% | 6.76                  | %   | 11/2015 | 2,111  | 2,075  | 0.5  | 2,048  |
| Richelieu Foods, Inc. <sup>(4)</sup>                         | Senior loan       | L +<br>5.00% | N/A                   | (5) | 11/2015 | -      | (10 )  | -    | (18    |
|  |                   |              |                       |     |         | 48,311 | 47,457 | 12.7 | 48,12  |
| Broadcasting and Entertainment Univision Communications Inc. | Senior loan       | L +<br>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 +<br>6.25% | 7.75                  | %   | 12/2013 | 453    | 442    | 0.1  | 340    |
| Global Claims Services, Inc.*                                | Senior loan       | L +<br>5.00% | 6.25                  | %   | 06/2018 | 831    | 819    | 0.2  | 831    |
| Global Claims Services, Inc. <sup>(4)</sup>                  | Senior loan       | L +<br>5.00% | N/A                   | (5) | 06/2018 | -      | (1 )   | -    | -      |
| KHKI Acquisition, Inc.                                       | Senior loan       | P +<br>5.00% | 8.50                  | %   | 03/2013 | 2,626  | 2,625  | 0.6  | 2,101  |
| Tecta America Corp.  | Senior loan       | P +<br>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 +<br>3.00% | 6.25                  | %   | 05/2016 | 1,686  | 1,667  | 0.4  | 1,686  |
| Chemicals, Plastics and Rubber                               | Subordinated debt | N/A          | 12.00% cash/2.00% PIK |     | 04/2015 | 4,700  | 4,650  | 1.3  | 4,700  |

Integrated DNA  
Technologies,  
Inc.

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

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments - (Continued)

September 30, 2012

(In thousands)

|   | Investment        | Spread               | Interest              | Maturity               | Principal |         | Percentage | Fair    |
|---|-------------------|----------------------|-----------------------|------------------------|-----------|---------|------------|---------|
|   | Type              | Above                | Rate <sup>(2)</sup>   | Date                   | Amount    | Cost    | of Total   | Value   |
|   |                   | Index <sup>(1)</sup> |                       |                        |           |         | Net        |         |
|   |                   |                      |                       |                        |           |         | Assets     |         |
| Containers,<br>Packaging and<br>Glass                 |                   |                      |                       |                        |           |         |            |         |
| Fort Dearborn<br>Company*                             | Senior loan       | L +<br>4.75%         | 6.50                  | % 08/2015              | \$1,349   | \$1,333 | 0.4 %      | \$1,349 |
| Fort Dearborn<br>Company*                             | Senior loan       | L +<br>5.25%         | 7.00                  | % 08/2016              | 3,159     | 3,118   | 0.8        | 3,159   |
|   |                   |                      |                       |                        | 4,508     | 4,451   | 1.2        | 4,508   |
| Diversified<br>Conglomerate<br>Manufacturing<br>Oasis |                   |                      |                       |                        |           |         |            |         |
| Outsourcing<br>Holdings, Inc.                         | Subordinated debt | N/A                  | 11.50% cash/1.50% PIK | 04/2017                | 11,970    | 11,775  | 3.2        | 11,970  |
| Pasternack<br>Enterprises,<br>Inc.*                   | Senior loan       | L +<br>4.50%         | 6.00                  | % 02/2014              | 3,492     | 3,453   | 0.9        | 3,492   |
| Sunless Merger<br>Sub, Inc.*                          | Senior loan       | L +<br>5.00%         | 6.26                  | % 07/2016              | 2,322     | 2,313   | 0.6        | 2,322   |
| Sunless Merger<br>Sub, Inc.*                          | Senior loan       | P +<br>3.75%         | 7.00                  | % 07/2016              | 29        | 28      | -          | 29      |
| Tecomet Inc.*   | Senior loan       | L +<br>5.25%         | 7.00                  | % 12/2016              | 6,082     | 5,992   | 1.6        | 5,991   |
| Tecomet Inc. <sup>(4)</sup>                           | Senior loan       | L +<br>5.25%         | N/A                   | <sup>(5)</sup> 12/2016 | -         | (6 )    | -          | -       |
| TIDI Products,<br>LLC*                                | Senior loan       | L +<br>7.00%         | 8.25                  | % 07/2018              | 8,791     | 8,606   | 2.3        | 8,703   |
| TIDI Products,<br>LLC <sup>(4)</sup>                  | Senior loan       | L +<br>7.00%         | N/A                   | <sup>(5)</sup> 07/2017 | -         | (13 )   | -          | (8 )    |
| Vintage Parts,<br>Inc.*                               | One stop          | L +<br>6.00%         | 8.50                  | % 12/2013              | 82        | 82      | -          | 82      |
| Vintage Parts,<br>Inc.*                               | One stop          | L +<br>8.00%         | 9.75                  | % 12/2013              | 1,239     | 1,228   | 0.3        | 1,239   |

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|   |             |              |       |     |         |        |        |      |        |
|---|-------------|--------------|-------|-----|---------|--------|--------|------|--------|
| Vintage Parts, Inc.*                            | One stop    | L +<br>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*                     | One stop    | L +<br>9.03% | 10.53 | %   | 02/2017 | 9,587  | 9,424  | 2.6  | 9,587  |
| Consona Holdings, Inc.*                         | Senior loan | L +<br>5.50% | 6.75  | %   | 08/2018 | 1,092  | 1,056  | 0.3  | 1,081  |
| Consona Holdings, Inc.*                         | Senior loan | L +<br>6.00% | 7.25  | %   | 08/2018 | 1,567  | 1,551  | 0.4  | 1,551  |
| Consona Holdings, Inc. <sup>(4)</sup>           | Senior loan | L +<br>5.50% | N/A   | (5) | 08/2017 | -      | (3 )   | -    | (2 )   |
| Document Technologies, LLC <sup>(4)</sup>       | Senior loan | L +<br>5.00% | N/A   | (5) | 12/2016 | -      | (15 )  | -    | -      |
| Document Technologies, LLC                      | Senior loan | L +<br>5.00% | 6.50  | %   | 12/2016 | 4,717  | 4,646  | 1.3  | 4,694  |
| EAG, Inc.*                                      | Senior loan | P +<br>3.50% | 6.75  | %   | 07/2017 | 2,629  | 2,593  | 0.7  | 2,629  |
| Employment Law Training, Inc. <sup>(4)</sup>    | One stop    | L +<br>7.50% | N/A   | (5) | 12/2016 | -      | (22 )  | -    | -      |
| Employment Law Training, Inc. *                 | One stop    | L +<br>7.50% | 9.00  | %   | 12/2016 | 18,219 | 17,822 | 4.9  | 18,219 |
| Evolution1, Inc.*                               | Senior loan | L +<br>4.75% | 6.25  | %   | 06/2016 | 4,619  | 4,567  | 1.2  | 4,619  |
| Evolution1, Inc. <sup>(4)</sup>                 | Senior loan | L +<br>4.75% | N/A   | (5) | 06/2016 | -      | (19 )  | -    | -      |
| Evolution1, Inc. <sup>(4)</sup>                 | Senior loan | L +<br>4.75% | N/A   | (5) | 06/2016 | -      | (4 )   | -    | -      |
| HighJump Acquisition LLC <sup>(4)</sup>         | One stop    | L +<br>8.75% | N/A   | (5) | 07/2016 | -      | (12 )  | -    | -      |
| HighJump Acquisition LLC                        | One stop    | L +<br>8.75% | 10.00 | %   | 07/2016 | 5,441  | 5,379  | 1.5  | 5,441  |
| Marathon Data Operating Co., LLC                | One stop    | L +<br>6.25% | 7.50  | %   | 08/2017 | 4,818  | 4,700  | 1.3  | 4,746  |
| Marathon Data Operating Co., LLC <sup>(4)</sup> | One stop    | L +<br>6.25% | N/A   | (5) | 08/2017 | -      | (10 )  | -    | (10 )  |
| MSC.Software Corporation*                       | One stop    | L +<br>7.74% | 9.24  | %   | 12/2016 | 6,238  | 6,133  | 1.7  | 6,238  |
| NS Holdings, Inc.*                              | Senior loan | L +<br>4.63% | 6.00  | %   | 06/2015 | 260    | 257    | 0.1  | 260    |

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|  |                   |               |                       |     |         |        |        |      |        |
|--|-------------------|---------------|-----------------------|-----|---------|--------|--------|------|--------|
| NS Holdings, Inc.*   | Senior loan       | L +<br>6.27%  | 7.68                  | %   | 06/2015 | 1,963  | 1,941  | 0.5  | 1,963  |
| PC Helps Support, LLC  | Senior loan       | P +<br>4.25%  | 7.50                  | %   | 09/2017 | 2,390  | 2,355  | 0.6  | 2,354  |
| PC Helps Support, LLC <sup>(4)</sup>                         | Senior loan       | P +<br>4.25%  | N/A                   | (5) | 09/2017 | -      | (3 )   | -    | (3 )   |
| Secure-24, LLC   | One stop          | L +<br>6.25%  | 7.50                  | %   | 08/2017 | 9,288  | 9,061  | 2.4  | 9,149  |
| Secure-24, LLC <sup>(4)</sup>                                | One stop          | L +<br>6.25%  | N/A                   | (5) | 08/2017 | -      | (8 )   | -    | (8 )   |
| Secure-24, LLC <sup>(4)</sup>                                | One stop          | L +<br>6.25%  | N/A                   | (5) | 08/2017 | -      | (16 )  | -    | (17 )  |
| Sumtotal Systems, Inc.*                                      | Senior loan       | L +<br>4.00%  | 5.25                  | %   | 12/2015 | 1,415  | 1,403  | 0.4  | 1,415  |
|  |                   |               |                       |     |         | 74,243 | 72,776 | 19.9 | 73,906 |
| Diversified Natural Resources, Precious Metals, and Minerals |                   |               |                       |     |         |        |        |      |        |
| Metal Spinners, Inc.*  | Senior loan       | L +<br>6.50%  | 8.00                  | %   | 12/2014 | 1,619  | 1,578  | 0.4  | 1,619  |
| Metal Spinners, Inc.*  | Senior loan       | L +<br>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 +<br>10.00% | 11.50                 | %   | 08/2018 | 5,424  | 5,277  | 1.5  | 5,573  |
| Blue Coat Systems, Inc.                                      | Senior loan       | L +<br>6.00%  | 7.50                  | %   | 02/2018 | 8,085  | 7,940  | 2.2  | 8,156  |
| Cape Electrical Supply LLC*                                  | Senior loan       | L +<br>5.25%  | 6.75% cash/0.50% PIK  |     | 11/2013 | 1,465  | 1,437  | 0.4  | 1,465  |
| Ecommerce Industries, Inc. <sup>(4)</sup>                    | One stop          | L +<br>6.75%  | N/A                   | (5) | 10/2016 | -      | (27 )  | -    | -      |
| Ecommerce Industries, Inc.*                                  | One stop          | L +<br>8.34%  | 9.59                  | %   | 10/2016 | 13,530 | 13,329 | 3.6  | 13,530 |
| Entrust, Inc.*   | One stop          | L +<br>7.47%  | 8.97                  | %   | 03/2017 | 4,053  | 4,006  | 1.1  | 4,053  |
| Entrust, Inc.*   | One stop          | L +<br>7.45%  | 8.95                  | %   | 03/2017 | 8,046  | 7,935  | 2.1  | 8,046  |
| Rogue Wave Holdings, Inc.*                                   | Senior loan       | L +<br>10.00% | 11.25                 | %   | 08/2016 | 3,982  | 3,945  | 1.1  | 3,982  |
| Syncsort Incorporated <sup>(4)</sup>                         | Senior loan       | L +<br>5.50%  | N/A                   | (5) | 03/2015 | -      | (4 )   | -    | -      |
| Syncsort Incorporated*                                       | Senior loan       | L +<br>5.50%  | 7.50                  | %   | 03/2015 | 8,032  | 7,918  | 2.1  | 8,032  |
|  | Subordinated debt | N/A           | 12.00% cash/1.25% PIK |     | 12/2016 | 11,561 | 11,386 | 3.1  | 11,561 |



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|                                  |             |              |       |   |         |        |        |      |        |
|----------------------------------|-------------|--------------|-------|---|---------|--------|--------|------|--------|
| Time-O-Matic,<br>Inc.            |             |              |       |   |         | 64,178 | 63,142 | 17.2 | 64,398 |
| Farming and<br>Agriculture       |             |              |       |   |         |        |        |      |        |
| AGData, L.P.                     | One stop    | L +<br>6.25% | 7.75  | % | 08/2016 | 2,814  | 2,782  | 0.8  | 2,814  |
| Finance                          |             |              |       |   |         |        |        |      |        |
| Bonddesk<br>Group LLC*           | Senior loan | L +<br>5.00% | 6.50  | % | 09/2016 | 1,010  | 1,002  | 0.3  | 1,010  |
| Compass<br>Group                 |             |              |       |   |         |        |        |      |        |
| Diversified<br>Holdings,<br>LLC* | Senior loan | L +<br>5.00% | 6.25  | % | 10/2017 | 8,387  | 8,025  | 2.2  | 8,408  |
| Pillar<br>Processing<br>LLC*(3)  | Senior loan | L +<br>5.50% | 5.95  | % | 11/2013 | 2,412  | 2,389  | 0.4  | 1,361  |
| Pillar<br>Processing<br>LLC*(3)  | Senior loan | N/A          | 14.50 | % | 05/2014 | 3,125  | 2,947  | -    | -      |
|                                  |             |              |       |   |         | 14,934 | 14,363 | 2.9  | 10,779 |

See Notes to Consolidated Financial Statements.

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

|  | Investment        | Spread               | Interest              | Maturity               | Principal |         | Percentage |       |        |
|--|-------------------|----------------------|-----------------------|------------------------|-----------|---------|------------|-------|--------|
|  | Type              | Above                | Rate <sup>(2)</sup>   | Date                   | Amount    | Cost    | of         | Fair  |        |
|  |                   | Index <sup>(1)</sup> |                       |                        |           |         | Total      | Value |        |
|  |                   |                      |                       |                        |           |         | Net        |       |        |
|  |                   |                      |                       |                        |           |         | Assets     |       |        |
| <b>Healthcare,<br/>Education and<br/>Childcare</b>       |                   |                      |                       |                        |           |         |            |       |        |
| Advanced Pain<br>Management<br>Holdings, Inc.            | Subordinated debt | N/A                  | 12.00% cash/2.00% PIK | 06/2016                | \$7,958   | \$7,828 | 2.1        | %     | \$7,95 |
| Alegeus<br>Technologies,<br>LLC*                         | Senior loan       | L +<br>5.00%         | 6.50                  | % 08/2018              | 873       | 860     | 0.2        |       | 860    |
| Avatar<br>International,<br>LLC <sup>(4)</sup>           | One stop          | L +<br>7.50%         | N/A                   | <sup>(5)</sup> 09/2016 | -         | (8 )    | -          |       | -      |
| Avatar<br>International,<br>LLC*                         | One stop          | L +<br>7.50%         | 8.75                  | % 09/2016              | 7,855     | 7,747   | 2.1        |       | 7,85   |
| Avatar<br>International,<br>LLC                          | One stop          | L +<br>8.00%         | 9.25                  | % 09/2016              | 1,695     | 1,677   | 0.5        |       | 1,69   |
| Campus<br>Management<br>Acquisition<br>Corp.             | Second lien       | L +<br>10.35%        | 12.10                 | % 09/2015              | 5,067     | 5,007   | 1.2        |       | 4,66   |
| CHS/Community<br>Health Systems,<br>Inc.                 | Senior loan       | L +<br>3.50%         | 3.92                  | % 01/2017              | 406       | 406     | 0.1        |       | 409    |
| Community<br>Hospices of<br>America, Inc.*               | Senior loan       | L +<br>5.50%         | 7.25                  | % 12/2015              | 4,955     | 4,891   | 1.3        |       | 4,95   |
| Community<br>Hospices of<br>America, Inc. <sup>(4)</sup> | Senior loan       | L +<br>5.50%         | N/A                   | <sup>(5)</sup> 12/2015 | -         | (5 )    | -          |       | -      |
| Community<br>Hospices of                                 | Subordinated debt | L +<br>11.75%        | 11.00% cash/2.75% PIK | 06/2016                | 1,874     | 1,844   | 0.5        |       | 1,87   |

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|   |                   |               |                       |     |         |        |        |     |        |
|---|-------------------|---------------|-----------------------|-----|---------|--------|--------|-----|--------|
| America, Inc.<br>DDC Center<br>Inc.*                    | One stop          | L +<br>6.50%  | 9.50                  | %   | 10/2014 | 8,205  | 8,211  | 2.2 | 8,205  |
| DDC Center<br>Inc.*                                     | One stop          | L +<br>6.50%  | 9.50                  | %   | 12/2012 | 227    | 227    | 0.1 | 227    |
| DDC Center Inc.   | One stop          | P +<br>5.25%  | 10.75                 | %   | 10/2013 | 182    | 182    | -   | 182    |
| Delta<br>Educational<br>Systems, Inc.*                  | Senior loan       | L +<br>5.00%  | 7.00                  | %   | 11/2012 | 2,740  | 2,735  | 0.7 | 2,688  |
| Dialysis Newco,<br>Inc.                                 | Subordinated debt | N/A           | 11.00% cash/2.00% PIK |     | 09/2018 | 8,795  | 8,677  | 2.3 | 8,795  |
| G & H Wire<br>Company, Inc. <sup>(4)</sup>              | Senior loan       | L +<br>5.50%  | N/A                   | (5) | 11/2016 | -      | (13 )  | -   | -      |
| G & H Wire<br>Company, Inc.*                            | Senior loan       | L +<br>5.50%  | 7.00                  | %   | 11/2016 | 8,974  | 8,829  | 2.4 | 8,833  |
| Hospitalists<br>Management<br>Group, LLC                | Senior loan       | L +<br>4.50%  | 6.00                  | %   | 05/2017 | 455    | 445    | 0.1 | 419    |
| Hospitalists<br>Management<br>Group, LLC                | Senior loan       | L +<br>4.50%  | 6.00                  | %   | 05/2017 | 3,986  | 3,909  | 1.0 | 3,828  |
| Hospitalists<br>Management<br>Group, LLC <sup>(4)</sup> | Senior loan       | L +<br>4.50%  | N/A                   | (5) | 05/2017 | -      | (10 )  | -   | (36)   |
| The Hygenic<br>Corporation*                             | Senior loan       | L +<br>2.50%  | 2.73                  | %   | 04/2013 | 1,961  | 1,951  | 0.5 | 1,961  |
| IntegraMed<br>America, Inc. <sup>(4)</sup>              | One stop          | L +<br>7.25%  | N/A                   | (5) | 09/2017 | -      | (18 )  | -   | (16)   |
| IntegraMed<br>America, Inc.                             | One stop          | L +<br>7.25%  | 8.50                  | %   | 09/2017 | 14,603 | 14,275 | 3.8 | 14,333 |
| Maverick<br>Healthcare<br>Group, LLC                    | Senior loan       | L +<br>5.50%  | 7.25                  | %   | 12/2016 | 2,148  | 2,123  | 0.6 | 2,148  |
| National Healing<br>Corporation                         | Senior loan       | L +<br>6.75%  | 8.25                  | %   | 11/2017 | 3,569  | 3,415  | 1.0 | 3,569  |
| National Healing<br>Corporation*                        | Second lien       | L +<br>10.00% | 11.50                 | %   | 11/2018 | 17,976 | 16,967 | 4.8 | 17,976 |
| NeuroTherm,<br>Inc.*                                    | Senior loan       | L +<br>5.00%  | 6.50                  | %   | 02/2016 | 1,591  | 1,567  | 0.4 | 1,591  |
| NeuroTherm,<br>Inc.                                     | Senior loan       | P +<br>4.00%  | 7.25                  | %   | 02/2016 | 124    | 118    | -   | 124    |
| Pentec<br>Acquisition Sub,<br>Inc.*                     | Senior loan       | L +<br>5.25%  | 6.50                  | %   | 05/2018 | 2,243  | 2,200  | 0.6 | 2,199  |
| Pentec<br>Acquisition Sub,<br>Inc. <sup>(4)</sup>       | Senior loan       | L +<br>5.25%  | N/A                   | (5) | 05/2017 | -      | (4 )   | -   | (4)    |
| PhysioTherapy<br>Associates<br>Holdings, Inc.*          | Senior loan       | L +<br>4.75%  | 6.01                  | %   | 04/2018 | 577    | 566    | 0.2 | 578    |

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|  |             |              |      |     |         |         |         |      |         |
|--|-------------|--------------|------|-----|---------|---------|---------|------|---------|
| Reliant Pro ReHab, LLC*  | Senior loan | L +<br>4.75% | 6.00 | %   | 06/2016 | 3,601   | 3,554   | 1.0  | 3,601   |
| Reliant Pro ReHab, LLC   | Senior loan | L +<br>4.75% | 6.00 | %   | 06/2016 | 872     | 858     | 0.2  | 872     |
| Reliant Pro ReHab, LLC   | Senior loan | P +<br>3.75% | 7.00 | %   | 06/2016 | 550     | 542     | 0.1  | 550     |
| Renaissance Pharma (U.S.) Holdings Inc.                              | Senior loan | P +<br>4.25% | 7.50 | %   | 06/2017 | 71      | 65      | -    | 68      |
| Renaissance Pharma (U.S.) Holdings Inc.                              | Senior loan | L +<br>5.25% | 6.76 | %   | 06/2017 | 2,449   | 2,402   | 0.6  | 2,421   |
| Surgical Information Systems, LLC                                    | Second lien | L +<br>7.40% | 8.91 | %   | 12/2015 | 4,291   | 4,235   | 1.1  | 4,291   |
| WIL Research Company, Inc.*  | Senior loan | L +<br>5.25% | 6.75 | %   | 04/2018 | 792     | 781     | 0.2  | 788     |
|  |             |              |      |     |         | 121,665 | 119,036 | 31.9 | 120,000 |
| <b>Home and Office Furnishings, Housewares, and Durable Consumer</b> |             |              |      |     |         |         |         |      |         |
| Top Knobs USA, Inc.*   | Senior loan | L +<br>5.75% | 7.76 | %   | 11/2016 | 1,094   | 1,079   | 0.3  | 1,094   |
| WII Components, Inc.*  | Senior loan | L +<br>4.75% | 6.25 | %   | 07/2016 | 1,732   | 1,712   | 0.5  | 1,732   |
| WII Components, Inc. <sup>(4)</sup>                                  | Senior loan | L +<br>4.75% | N/A  | (5) | 07/2016 | -       | (1 )    | -    | -       |
| Zenith Products Corporation*   | One stop    | L +<br>5.50% | 5.93 | %   | 09/2013 | 3,409   | 3,367   | 0.9  | 3,235   |
|  |             |              |      |     |         | 6,235   | 6,157   | 1.7  | 6,065   |
| <b>Leisure, Amusement, Motion Pictures and Entertainment</b>         |             |              |      |     |         |         |         |      |         |
| Competitor Group, Inc.*  | One stop    | L +<br>8.00% | 9.50 | %   | 01/2017 | 16,807  | 16,525  | 4.5  | 16,807  |
| Competitor Group, Inc. <sup>(4)</sup>                                | One stop    | L +<br>8.00% | N/A  | (5) | 01/2017 | -       | (8 )    | -    | -       |
| Competitor Group, Inc.   | One stop    | L +<br>8.00% | 9.50 | %   | 01/2017 | 1,257   | 1,230   | 0.3  | 1,257   |
| Cortz, Inc.*   | Senior loan | L +<br>5.50% | 7.00 | %   | 03/2014 | 6,609   | 6,582   | 1.8  | 6,609   |
| Octane Fitness, LLC*   | One stop    | L +<br>5.50% | 7.00 | %   | 12/2015 | 4,675   | 4,552   | 1.2  | 4,675   |
|  | Senior loan |              | 7.25 | %   | 11/2015 | 737     | 728     | 0.2  | 722     |

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|  |             |           |      |   |         |        |        |     |        |  |
|--|-------------|-----------|------|---|---------|--------|--------|-----|--------|--|
| Pride Manufacturing Company, LLC*                  |             | L + 5.50% |      |   |         |        |        |     |        |  |
| 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 | 36,697 |  |
| <b>Mining, Steel, Iron and Non-Precious Metals</b> |             |           |      |   |         |        |        |     |        |  |
| Benetech, Inc.*                                    | One stop    | L + 5.00% | 5.22 | % | 12/2013 | 8,845  | 8,737  | 2.4 | 8,845  |  |

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments - (Continued)

September 30, 2012

(In thousands)

|   | Investment<br>Type | Spread<br>Above<br>Index <sup>(1)</sup> | Interest<br>Rate <sup>(2)</sup> | Maturity<br>Date       | Principal<br>Amount | Cost    | Percentag<br>of<br>Total<br>Net<br>Assets |
|---|--------------------|---|---------------------------------|------------------------|---------------------|---------|---|
| <b>Personal and Non-Durable Consumer Products</b> |                    |   |                                 |                        |                     |         |   |
| Dr. Miracles, Inc.*                               | One stop           | L +<br>7.50%                            | 8.00% cash/2.00% PIK            | 03/2014                | \$3,092             | \$3,077 | 0.7 %                                     |
| Massage Envy, LLC                                 | One stop           | L +<br>7.25%                            | 8.50                            | % 09/2018              | 63                  | 45      | -   |
| Massage Envy, LLC                                 | One stop           | L +<br>7.25%                            | 8.50                            | % 09/2018              | 17,061              | 16,638  | 4.5                                       |
|   |                    |   |                                 |                        | 20,216              | 19,760  | 5.2                                       |
| <b>Personal, Food and Miscellaneous Services</b>  |                    |   |                                 |                        |                     |         |   |
| Affordable Care Inc.*                             | Senior loan        | L +<br>4.75%                            | 6.25                            | % 12/2015              | 3,525               | 3,490   | 0.9                                       |
| Affordable Care Inc. <sup>(4)</sup>               | Senior loan        | L +<br>4.75%                            | N/A                             | <sup>(5)</sup> 12/2015 | -                   | (6 )    | -   |
| Automatic Bar Controls, Inc.*                     | Senior loan        | L +<br>5.75%                            | 7.25                            | % 03/2016              | 972                 | 962     | 0.2                                       |
| Automatic Bar Controls, Inc. <sup>(4)</sup>       | Senior loan        | L +<br>5.75%                            | N/A                             | <sup>(5)</sup> 03/2016 | -                   | (2 )    | -   |
| Brasa (Holdings) Inc.*                            | Senior loan        | L +<br>6.25%                            | 7.50                            | % 07/2019              | 5,126               | 4,976   | 1.3                                       |
| Focus Brands Inc.                                 | Second lien        | L +<br>9.00%                            | 10.25                           | % 08/2018              | 6,481               | 6,363   | 1.8                                       |
| Focus Brands Inc.                                 | Senior loan        | L +<br>5.00%                            | 6.26                            | % 02/2018              | 5,951               | 5,898   | 1.6                                       |
| Ignite Restaurant Group, Inc.*                    | Senior loan        | L +<br>4.75%                            | 6.25                            | % 03/2016              | 4,170               | 4,101   | 1.1                                       |
| NVA Acquisition Company                           | Senior loan        | L +<br>4.25%                            | 5.50                            | % 06/2016              | 1,881               | 1,867   | 0.5                                       |
|   | Senior loan        |   | N/A                             | <sup>(5)</sup> 06/2017 | -                   | (3 )    | -   |

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|   |                   |              |                       |     |         |        |        |      |
|---|-------------------|--------------|-----------------------|-----|---------|--------|--------|------|
| PMI Holdings, Inc.<br>(Papa Murphys) <sup>(4)</sup> |                   | L +<br>5.25% |                       |     |         |        |        |      |
| PMI Holdings, Inc.<br>(Papa Murphys)                | Senior loan       | L +<br>5.25% | 6.51                  | %   | 06/2017 | 2,709  | 2,683  | 0.7  |
| Restaurant<br>Technologies, Inc.*                   | Senior loan       | L +<br>4.75% | 6.00                  | %   | 05/2017 | 1,077  | 1,069  | 0.3  |
| Restaurant<br>Technologies, Inc.                    | Senior loan       | L +<br>4.75% | 6.00                  | %   | 05/2017 | 117    | 116    | -    |
| Trusthouse Service<br>Group, Inc. <sup>(4)</sup>    | Senior loan       | L +<br>5.25% | N/A                   | (5) | 06/2018 | -      | (4 )   | -    |
| Trusthouse Service<br>Group, Inc.                   | Senior loan       | P +<br>4.25% | 7.50                  | %   | 06/2017 | 82     | 77     | -    |
| Trusthouse Service<br>Group, Inc.                   | Senior loan       | L +<br>5.25% | 6.75                  | %   | 06/2018 | 2,976  | 2,926  | 0.8  |
| Vetcor Merger Sub<br>LLC*                           | One stop          | L +<br>6.00% | 7.50                  | %   | 02/2015 | 9,646  | 9,646  | 2.6  |
|   |                   |              |                       |     |         | 44,713 | 44,159 | 11.8 |
| <b>Personal</b>                                     |                   |              |                       |     |         |        |        |      |
| <b>Transportation</b>                               |                   |              |                       |     |         |        |        |      |
| PODS Funding Corp.<br>II                            | Subordinated debt | N/A          | 21.00% PIK            |     | 11/2017 | 2,802  | 2,802  | 0.7  |
| PODS Funding Corp.<br>II                            | Subordinated debt | N/A          | 21.00% PIK            |     | 11/2017 | 579    | 579    | 0.2  |
| PODS Funding Corp.<br>II                            | Second lien       | N/A          | 10.50% cash/5.00% PIK |     | 05/2017 | 447    | 441    | 0.1  |
| PODS Funding Corp.<br>II                            | Second lien       | N/A          | 10.50% cash/5.00% PIK |     | 05/2017 | 2,096  | 2,045  | 0.6  |
| PODS Funding Corp.<br>II                            | Senior loan       | L +<br>7.00% | 8.50                  | %   | 11/2016 | 773    | 753    | 0.2  |
| PODS Funding Corp.<br>II*                           | Senior loan       | L +<br>7.00% | 8.50                  | %   | 11/2016 | 5,955  | 5,807  | 1.6  |
|   |                   |              |                       |     |         | 12,652 | 12,427 | 3.4  |
| <b>Printing and</b>                                 |                   |              |                       |     |         |        |        |      |
| <b>Publishing</b>                                   |                   |              |                       |     |         |        |        |      |
| Digital Technology<br>International, LLC.           | One stop          | P +<br>6.00% | 9.25                  | %   | 09/2016 | 928    | 921    | 0.2  |
| Digital Technology<br>International, LLC.           | One stop          | L +<br>7.25% | 8.75                  | %   | 09/2016 | 6,333  | 6,230  | 1.7  |
| Market Track, LLC*                                  | Senior loan       | L +<br>6.11% | 7.36                  | %   | 08/2018 | 3,150  | 3,104  | 0.8  |
| Market Track, LLC <sup>(4)</sup>                    | Senior loan       | L +<br>6.11% | N/A                   | (5) | 08/2018 | -      | (6 )   | -    |
| Market Track, LLC <sup>(4)</sup>                    | Senior loan       | L +<br>7.65% | N/A                   | (5) | 08/2018 | -      | (4 )   | -    |
| Trade Service<br>Company, LLC*                      | One stop          | L +<br>5.25% | 6.75                  | %   | 06/2013 | 1,026  | 1,024  | 0.3  |
| Trade Service<br>Company, LLC*                      | One stop          | N/A          | 10.00% cash/4.00% PIK |     | 06/2013 | 765    | 764    | 0.2  |
| Trade Service<br>Company, LLC                       | One stop          | L +<br>5.25% | N/A                   | (5) | 06/2013 | -      | -      | -    |
|   |                   |              |                       |     |         | 12,202 | 12,033 | 3.2  |

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**Retail Stores**

|   |             |               |                      |     |         |        |        |      |
|---|-------------|---------------|----------------------|-----|---------|--------|--------|------|
| Barcelona Restaurants, LLC*                   | One stop    | L +<br>10.00% | 11.50                | %   | 03/2017 | 4,964  | 4,878  | 1.3  |
| Barcelona Restaurants, LLC <sup>(4)</sup>     | One stop    | L +<br>10.00% | N/A                  | (5) | 03/2017 | -      | (5 )   | -    |
| Benihana, Inc.                                | One stop    | L +<br>8.00%  | 9.25                 | %   | 08/2017 | 365    | 329    | 0.1  |
| Benihana, Inc.*                               | One stop    | L +<br>8.00%  | 9.25                 | %   | 02/2018 | 13,456 | 13,108 | 3.5  |
| Bojangles' Restaurants, Inc.*                 | Senior loan | P +<br>5.50%  | 8.75                 | %   | 08/2017 | 2,761  | 2,597  | 0.7  |
| Chuy's OPCO, Inc. <sup>(4)</sup>              | One stop    | L +<br>7.00%  | N/A                  | (5) | 05/2016 | -      | (2 )   | -    |
| Chuy's OPCO, Inc. <sup>(4)</sup>              | One stop    | L +<br>7.00%  | N/A                  | (5) | 05/2016 | -      | (9 )   | -    |
| Chuy's OPCO, Inc.                             | One stop    | L +<br>7.00%  | 8.50                 | %   | 05/2016 | 942    | 929    | 0.3  |
| DTLR, Inc. (fka Levtran)*                     | One stop    | L +<br>8.00%  | 11.00                | %   | 12/2015 | 7,904  | 7,806  | 2.1  |
| The Marshall Retail Group, LLC <sup>(4)</sup> | Senior loan | L +<br>6.50%  | N/A                  | (5) | 10/2016 | -      | (15 )  | -    |
| The Marshall Retail Group, LLC*               | Senior loan | L +<br>6.50%  | 8.00                 | %   | 10/2016 | 10,414 | 10,238 | 2.8  |
| Michaels Stores, Inc.                         | Senior loan | L +<br>2.25%  | 2.69                 | %   | 10/2013 | 2,917  | 2,920  | 0.8  |
| Restaurant Holding Company, LLC               | Senior loan | L +<br>7.50%  | 9.00                 | %   | 02/2017 | 9,517  | 9,350  | 2.6  |
| Rubio's Restaurants, Inc.*                    | One stop    | L +<br>7.75%  | 8.75% cash/0.75% PIK |     | 06/2015 | 8,246  | 8,149  | 2.2  |
| Specialty Catalog Corp.                       | One stop    | L +<br>6.00%  | 7.50                 | %   | 07/2017 | 5,396  | 5,326  | 1.4  |
| Specialty Catalog Corp. <sup>(4)</sup>        | One stop    | L +<br>6.00%  | N/A                  | (5) | 07/2017 | -      | (8 )   | -    |
| Vision Source L.P. <sup>(4)</sup>             | One stop    | L +<br>6.75%  | N/A                  | (5) | 04/2016 | -      | (9 )   | -    |
| Vision Source L.P.*                           | One stop    | L +<br>6.75%  | 8.00                 | %   | 04/2016 | 13,201 | 13,007 | 3.5  |
|   |             |               |                      |     |         | 80,083 | 78,589 | 21.3 |

**Telecommunications**

|                                  |             |              |      |     |         |       |       |     |
|----------------------------------|-------------|--------------|------|-----|---------|-------|-------|-----|
| Hosting.com, Inc.*               | Senior loan | L +<br>4.50% | 5.76 | %   | 10/2016 | 846   | 836   | 0.2 |
| Hosting.com, Inc. <sup>(4)</sup> | Senior loan | L +<br>4.50% | N/A  | (5) | 10/2016 | -     | (2 )  | -   |
| NameMedia, Inc.                  | Senior loan | L +<br>6.00% | 7.50 | %   | 11/2014 | 28    | 27    | -   |
| NameMedia, Inc.                  | Senior loan | L +<br>6.00% | 7.50 | %   | 11/2014 | 2,159 | 2,131 | 0.6 |
| West Corporation <sup>(4)</sup>  | Senior loan | L +<br>1.75% | N/A  | (5) | 10/2012 | -     | (8 )  | -   |
|                                  |             |              |      |     |         | 3,033 | 2,984 | 0.8 |

**Utilities**



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|   |             |              |      |             |           |           |        |
|---|-------------|--------------|------|-------------|-----------|-----------|--------|
| PowerPlan<br>Consultants, Inc. <sup>(4)</sup>                     | Senior loan | L +<br>5.25% | N/A  | (5) 03/2017 | -         | (2 )      | -      |
| PowerPlan<br>Consultants, Inc.*                                   | Senior loan | L +<br>5.25% | 6.76 | % 03/2018   | 5,164     | 5,093     | 1.4    |
|   |             |              |      |             | 5,164     | 5,091     | 1.4    |
| <b>Total debt<br/>investments United<br/>States</b>               |             |              |      |             | \$658,309 | \$646,457 | 173.2% |
| <br><b>Fair Value as a<br/>percentage of<br/>Principal Amount</b> |             |              |      |             |           |           |        |

See Notes to Consolidated Financial Statements.

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

|   | Investment             | Spread Above         | Interest            | Maturity | Principal                   |       | Percentage                   |               |       |
|---|------------------------|----------------------|---------------------|----------|-----------------------------|-------|------------------------------|---------------|-------|
|   | Type                   | Index <sup>(1)</sup> | Rate <sup>(2)</sup> | Date     | Amount/Shares/<br>Contracts | Cost  | of<br>Total<br>Net<br>Assets | Fair<br>Value |       |
| <b>Equity investments</b>                     |                        |                      |                     |          |                             |       |                              |               |       |
| <b>Aerospace and Defense</b>                  |                        |                      |                     |          |                             |       |                              |               |       |
| 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   |
| <b>Automobile</b>                             |                        |                      |                     |          |                             |       |                              |               |       |
| 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 |
| <b>Banking</b>                                |                        |                      |                     |          |                             |       |                              |               |       |
| 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   | -                            |               | -     |
| <b>Beverage, Food and Tobacco</b>             |                        |                      |                     |          |                             |       |                              |               |       |
| Atkins Nutritionals, 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 |
| <b>Diversified Conglomerate Manufacturing</b> |                        |                      |                     |          |                             |       |                              |               |       |
| 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 |

**Finance**

|                        |  |     |     |     |   |   |   |   |
|------------------------|--|-----|-----|-----|---|---|---|---|
| Pillar Processing LLC* |  | 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 |
| <b>Personal and Non-Durable Consumer Products</b> |                 |     |     |     |     |     |     |     |     |
| Massage Envy, LLC                                 | LLC interest    | N/A | N/A | N/A | 749 | 749 | 0.2 | 749 |     |
| <b>Personal Transportation</b>                    |                 |     |     |     |     |     |     |     |     |
| PODS Funding Corp. II                             | Warrant         | N/A | N/A | N/A | 271 | -   | -   | -   |     |
| <b>Printing and Publishing</b>                    |                 |     |     |     |     |     |     |     |     |
| 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 |     |
| See Notes to Consolidated Financial Statements.   |                 |     |     |     |     |     |     |     |     |

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments - (Continued)****September 30, 2012**

| Investment<br>Type                                    | Spread<br>Above<br>Index <sup>(1)</sup> | Interest<br>Rate <sup>(2)</sup> | Maturity<br>Date | Principal                   |       | Percentage                |       | Fair<br>Value |
|---|---|---------------------------------|------------------|-----------------------------|-------|---------------------------|-------|---------------|
|   |   |                                 |                  | Amount/Shares/<br>Contracts | Cost  | of Total<br>Net<br>Assets |       |               |
| <b>Retail Stores</b>                                  |   |                                 |                  |                             |       |                           |       |               |
| Barcelona Restaurants,<br>LLC                         | 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         |
| <b>Total equity<br/>investments United<br/>States</b> |   |                                 |                  |                             |       | \$20,066                  | 5.7   | % \$21,425    |
| <b>Total United States</b>                            |   |                                 |                  |                             |       | \$666,523                 | 178.9 | % \$670,967   |
| <b>Total investments</b>                              |   |                                 |                  |                             |       | \$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 LIBOR or Prime 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) 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.

(5)

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

See Notes to Consolidated Financial Statements.

## **Golub Capital BDC, Inc. and Subsidiaries**

### **Notes to Unaudited Consolidated Financial Statements**

(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 (“GBDC 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 GBDC LLC have become the books and records of the surviving entity. On April 14, 2010, GBDC completed its initial public offering (the “Offering”).

GBDC 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 GBDC 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 GBDC LLC. In February 2010, GEMS Fund L.P. (“GEMS”), a limited partnership affiliated through common management with the Capital Companies, purchased an interest in GBDC 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 subordinated (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. Accounting Policies and Recent Accounting Updates**

**Basis of presentation:** The accompanying interim consolidated financial statements of the Company and related financial information have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, the consolidated financial statements reflect all adjustments and reclassifications consisting solely of normal accruals that are necessary for the fair presentation of financial results as of and for the periods presented. All intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation.

**Fair value of financial instruments:** The Company applies fair value to 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



## Golub Capital BDC, Inc. and Subsidiaries

### Notes to Unaudited Consolidated Financial Statements

(In thousands, except shares and per share data)

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 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 the Company's board of directors (the "Board") to confirm that the changes are justified. As markets change, new investment products develop and the pricing for investment 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 companies ("SBICs"). This amount is generally restricted to the origination of new loans from the SBICs 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 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. For the three and six months ended March 31, 2013, interest income included \$780 and \$1,513 of prepayment fees, respectively. For the three and six months ended March 31, 2012, interest income included \$186 and \$358 of prepayment fees, respectively. When the Company receives principal payments

## **Golub Capital BDC, Inc. and Subsidiaries**

### **Notes to Unaudited Consolidated Financial Statements**

(In thousands, except shares and per share data)

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 three and six months ended March 31, 2013, interest income included \$2,025 and \$4,465, respectively, of accretion of discounts. For the three and six months ended March 31, 2012, interest income included \$1,290 and \$2,380, respectively, of accretion of discounts.

As of March 31, 2013 and September 30, 2012, the Company had interest receivable of \$4,278 and \$3,906, respectively. For the three and six months ended March 31, 2013, the Company earned interest of \$19,617 and \$37,944, respectively. For the three and six months ended March 31, 2012, the Company earned interest of \$14,352 and \$26,452, respectively. For the three and six months ended March 31, 2013, 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 \$16,559 and \$32,864, respectively. For the three and six months ended March 31, 2012, 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 \$12,394 and \$23,041, respectively. For the three and six months ended March 31, 2013, the Company received loan origination fees of \$734 and \$4,468, respectively. For the three and six months ended March 31, 2012, the Company received loan origination fees of \$1,607 and \$5,511, respectively. These loan origination fees are capitalized and amortized or accreted 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 three and six months ended March 31, 2013, the Company capitalized \$377 and \$1,414, respectively, of PIK interest into the principal balance. For the three and six months ended March 31, 2012, the Company capitalized \$478 and \$765, respectively, of PIK interest into the principal balance. For the three and six months ended March 31, 2013, the Company received PIK payments in cash of \$516 and \$847, respectively. For the three and six months ended March 31, 2012, the Company received PIK payments in cash of \$264 and \$367, 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 three and six months ended March 31, 2013, the Company recorded dividend income of \$479 and \$746, respectively. For the three and six months ended March 31, 2012, the Company recorded

dividend income of zero and \$377, respectively.

Investment transactions are accounted for on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. The Company reports 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 \$2,392 and \$3,222 as of March 31, 2013 and September 30, 2012, respectively.

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

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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 three and six months ended March 31, 2013 and 2012, 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 December 31, 2012. The 2009 through 2012 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.

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

**Deferred financing costs:** Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of March 31, 2013 and September 30, 2012, the Company had deferred financing costs of \$7,029 and \$5,898, respectively. These amounts are amortized and included in interest expense in the consolidated statements of operations over the estimated average life of the borrowings. Amortization expense for the three and six months ended March 31, 2013 was \$717 and \$1,084, respectively. Amortization expense for the three and six months ended March 31, 2012 was \$357 and \$697, 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 March 31, 2013 and September 30, 2012, deferred offering costs, which are included in other assets on the consolidated statements of financial condition, were \$188 and \$130, respectively.

## **Golub Capital BDC, Inc. and Subsidiaries**

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#### **Note 3. Related Party Transactions**

**Investment Advisory 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 most recently reapproved the Investment Advisory Agreement on February 5, 2013. 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 is 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



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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 (including, as the context may require, Golub Capital LLC, after the assignment of the Administration Agreement to Golub Capital LLC on February 5, 2013, 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

· 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 on or prior to September 30, 2011, 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 three and six months ended March 31, 2012, the Company received interest spread payments of \$923 and \$1,570, respectively. 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 \$647 as the Company was in the “catch-up” provision as described below. Upon reviewing the 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 three months ended March 31, 2012, the Income Incentive Fee (as described below) was \$1,434. For the six months ended March 31, 2012, after taking into account the waiver by the Investment Adviser, the Income Incentive Fee was \$2,344, rather than \$2,991.

For the three and six months ended March 31, 2013, the Income Incentive Fee was \$2,468 and \$4,862, 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

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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 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 and (losses) plus net unrealized appreciation and (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 three and six months ended March 31, 2013 and 2012, 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

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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 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 \$610 and \$507 as of March 31, 2013 and September 30, 2012, respectively, for accrued allocated shared services under the Administration Agreement. The administrative service fee expense under the Administration Agreement for the three and six months ended March 31, 2013 was \$610 and \$1,158, respectively. The administrative service fee expense under the Administration Agreement for the three and six months ended March 31, 2012 was \$455 and \$718, respectively.

**Other related party transactions:** The Investment Manager and the Administrator pay 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 and the Administrator during the three and six months ended March 31, 2013 were \$279 and \$279, respectively. Total expenses reimbursed to the Investment Manager and the Administrator during the three and six months ended March 31, 2012 were \$92 and \$199, respectively.

As of March 31, 2013 and September 30, 2012, included in accounts payable and accrued expenses were \$272 and \$40, respectively, for accrued expenses paid on behalf of the Company by the Investment Manager and the Administrator.

**Note 4. Investments**

Investments consisted of the following:

|                            | March 31, 2013 |           |            | September 30, 2012 |           |            |
|----------------------------|----------------|-----------|------------|--------------------|-----------|------------|
|                            | Par            | Cost      | Fair Value | Par                | Cost      | Fair Value |
| Senior secured             | \$269,137      | \$264,917 | \$261,768  | \$280,579          | \$275,736 | \$273,989  |
| One stop                   | 383,209        | 376,687   | 382,253    | 267,393            | 262,876   | 265,705    |
| Second lien <sup>(1)</sup> | 76,356         | 75,390    | 76,572     | 44,856             | 43,348    | 44,367     |
| Subordinated debt          | 43,951         | 43,334    | 41,826     | 68,859             | 67,815    | 67,424     |
| Equity                     | N/A            | 23,540    | 26,023     | N/A                | 20,066    | 21,425     |
| Total                      | \$772,653      | \$783,868 | \$788,442  | \$661,687          | \$669,841 | \$672,910  |

<sup>(1)</sup> Second lien loans include loans structured as first lien last out term loans as they have similar risk characteristics.

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

|               | March 31, 2013 |         | September 30, 2012 |         |
|---------------|----------------|---------|--------------------|---------|
| Cost:         |                |         |                    |         |
| United States |                |         |                    |         |
| Mid-Atlantic  | \$120,271      | 15.3 %  | \$76,509           | 11.5 %  |
| Midwest       | 177,197        | 22.6    | 152,119            | 22.7    |
| West          | 118,880        | 15.2    | 120,228            | 17.9    |
| Southeast     | 207,901        | 26.5    | 178,316            | 26.6    |
| Southwest     | 104,860        | 13.4    | 84,424             | 12.6    |
| Northeast     | 51,027         | 6.5     | 54,927             | 8.2     |
| Canada        | 3,732          | 0.5     | 3,318              | 0.5     |
| Total         | \$783,868      | 100.0 % | \$669,841          | 100.0 % |

|               |           |         |           |         |
|---------------|-----------|---------|-----------|---------|
| Fair Value:   |           |         |           |         |
| United States |           |         |           |         |
| Mid-Atlantic  | \$119,305 | 15.1 %  | \$72,671  | 10.8 %  |
| Midwest       | 176,559   | 22.4    | 152,527   | 22.6    |
| West          | 119,949   | 15.2    | 122,371   | 18.2    |
| Southeast     | 212,102   | 26.9    | 181,398   | 27.0    |
| Southwest     | 106,960   | 13.6    | 85,633    | 12.7    |
| Northeast     | 52,645    | 6.7     | 56,367    | 8.4     |
| Canada        | 922       | 0.1     | 1,943     | 0.3     |
| Total         | \$788,442 | 100.0 % | \$672,910 | 100.0 % |

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The industry compositions of the portfolio at fair value were as follows:

|  | March 31, 2013 |         | September 30, 2012 |         |
|--|----------------|---------|--------------------|---------|
| Cost:  |                |         |                    |         |
| Aerospace and Defense  | \$ 19,478      | 2.5 %   | \$ 8,715           | 1.3 %   |
| Automobile   | 26,469         | 3.4     | 23,199             | 3.5     |
| Banking  | 1,361          | 0.2     | 1,329              | 0.2     |
| Beverage, Food and Tobacco                                   | 58,350         | 7.4     | 49,685             | 7.4     |
| Broadcasting and Entertainment                               | -              | -       | 3,969              | 0.6     |
| Buildings and Real Estate                                    | 7,637          | 1.0     | 7,391              | 1.1     |
| Cargo Transport  | 9,310          | 1.2     | 1,667              | 0.2     |
| Chemicals, Plastics and Rubber                               | 6,155          | 0.8     | 8,920              | 1.3     |
| Containers, Packaging and Glass                              | 3,674          | 0.5     | 4,451              | 0.7     |
| Diversified Conglomerate Manufacturing                       | 45,466         | 5.8     | 40,923             | 6.1     |
| Diversified Conglomerate Service                             | 104,025        | 13.3    | 74,781             | 11.2    |
| Diversified Natural Resources, Precious Metals and Minerals  | -              | -       | 4,482              | 0.7     |
| Electronics  | 62,216         | 7.9     | 63,142             | 9.4     |
| Farming and Agriculture                                      | 2,708          | 0.3     | 2,782              | 0.4     |
| Finance  | 31,120         | 4.0     | 14,363             | 2.2     |
| Healthcare, Education and Childcare                          | 129,025        | 16.5    | 124,758            | 18.6    |
| Home and Office Furnishings, Housewares and Durable Consumer | 7,157          | 0.9     | 6,230              | 0.9     |
| Insurance  | 9,685          | 1.2     | -                  | -       |
| Leisure, Amusement, Motion Pictures and Entertainment        | 44,609         | 5.7     | 39,659             | 5.9     |
| Mining, Steel, Iron and Non-Precious Metals                  | 5,620          | 0.7     | 8,737              | 1.3     |
| Personal and Non-Durable Consumer Products                   | 26,749         | 3.4     | 20,509             | 3.1     |
| Personal, Food and Miscellaneous Services                    | 45,759         | 5.8     | 12,427             | 1.9     |
| Personal Transportation                                      | 13,818         | 1.8     | 44,159             | 6.6     |
| Printing and Publishing                                      | 12,033         | 1.5     | 12,323             | 1.8     |
| Retail Stores  | 104,563        | 13.3    | 83,165             | 12.4    |
| Telecommunications   | 2,157          | 0.3     | 2,984              | 0.4     |
| Utilities  | 4,724          | 0.6     | 5,091              | 0.8     |
| Total  | \$ 783,868     | 100.0 % | \$ 669,841         | 100.0 % |
| Fair Value:  |                |         |                    |         |
| Aerospace and Defense  | \$ 19,919      | 2.6 %   | \$ 8,969           | 1.3 %   |
| Automobile   | 27,107         | 3.5     | 23,567             | 3.5     |



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|  |           |        |            |         |
|--|-----------|--------|------------|---------|
| Banking  | 178       | -      | 521        | 0.1     |
| Beverage, Food and Tobacco                                   | 60,676    | 7.7    | 50,686     | 7.5     |
| Broadcasting and Entertainment                               | -         | -      | 3,992      | 0.6     |
| Buildings and Real Estate                                    | 4,296     | 0.5    | 6,266      | 0.9     |
| Cargo Transport  | 9,905     | 1.3    | 1,686      | 0.3     |
| Chemicals, Plastics and Rubber                               | 6,313     | 0.8    | 9,070      | 1.3     |
| Containers, Packaging and Glass                              | 3,740     | 0.5    | 4,508      | 0.7     |
| Diversified Conglomerate Manufacturing                       | 46,338    | 5.9    | 41,583     | 6.2     |
| Diversified Conglomerate Service                             | 105,739   | 13.4   | 76,002     | 11.3    |
| Diversified Natural Resources, Precious Metals and Minerals  | -         | -      | 4,593      | 0.7     |
| Electronics  | 62,986    | 8.0    | 64,398     | 9.6     |
| Farming and Agriculture                                      | 2,734     | 0.3    | 2,814      | 0.4     |
| Finance  | 29,600    | 3.8    | 10,779     | 1.6     |
| Healthcare, Education and Childcare                          | 130,393   | 16.5   | 126,518    | 18.8    |
| Home and Office Furnishings, Housewares and Durable Consumer | 7,236     | 0.9    | 6,138      | 0.9     |
| Insurance  | 9,818     | 1.2    | -          | -       |
| Leisure, Amusement, Motion Pictures and Entertainment        | 42,486    | 5.4    | 38,925     | 5.8     |
| Mining, Steel, Iron and Non-Precious Metals                  | 5,651     | 0.7    | 8,845      | 1.3     |
| Personal and Non-Durable Consumer Products                   | 26,988    | 3.4    | 20,383     | 3.0     |
| Personal, Food and Miscellaneous Services                    | 46,751    | 5.9    | 44,746     | 6.6     |
| Personal Transportation                                      | 14,114    | 1.8    | 12,652     | 1.9     |
| Printing and Publishing                                      | 11,936    | 1.5    | 12,435     | 1.8     |
| Retail Stores  | 106,575   | 13.5   | 84,637     | 12.6    |
| Telecommunications   | 2,180     | 0.3    | 3,033      | 0.5     |
| Utilities  | 4,783     | 0.6    | 5,164      | 0.8     |
| Total  | \$788,442 | 100.0% | \$ 672,910 | 100.0 % |

## **Golub Capital BDC, Inc. and Subsidiaries**

### **Notes to Unaudited Consolidated Financial Statements**

(In thousands, except shares and per share data)

#### **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 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, the categorization of an asset or a liability 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 six months ended March 31, 2013 and 2012. 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 (other than cash and cash equivalents) and liabilities as of March 31, 2013 and September 30, 2012 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 value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made and other relevant factors. In addition, for certain debt and equity investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be

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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.

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 and borrowings 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 and borrowings are traded.

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

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As of March 31, 2013: Fair Value Measurements Using

| Description                       | Level 1 | Level 2 | Level 3    | Total      |
|-----------------------------------|---------|---------|------------|------------|
| Assets:                           |         |         |            |            |
| Debt investments <sup>(1)</sup>   | \$-     | \$ -    | \$ 762,419 | \$ 762,419 |
| Equity investments <sup>(1)</sup> | -       | -       | 26,023     | 26,023     |
|                                   | \$-     | \$ -    | \$ 788,442 | \$ 788,442 |

As of September 30, 2012: Fair Value Measurements Using

| Description                       | Level 1 | Level 2 | Level 3    | Total      |
|-----------------------------------|---------|---------|------------|------------|
| Assets:                           |         |         |            |            |
| Debt investments <sup>(1)</sup>   | \$-     | \$ -    | \$ 651,485 | \$ 651,485 |
| Equity investments <sup>(1)</sup> | -       | -       | 21,425     | 21,425     |
|                                   | \$-     | \$ -    | \$ 672,910 | \$ 672,910 |

<sup>(1)</sup> Refer to the consolidated schedules of investments for further details.

The net change in unrealized appreciation for the three and six months ended March 31, 2013 reported within the net change in unrealized appreciation on investments in the Company's consolidated statements of operation attributable to the Company's Level 3 assets held as of March 31, 2013 was \$3,346 and \$4,882, respectively. The net change in unrealized appreciation for the three and six months ended March 31, 2012 reported within the net change in unrealized appreciation on investments and the net change in unrealized appreciation on derivative instruments in the Company's consolidated

**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements**

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statements of operation attributable to the Company's Level 3 assets held as of March 31, 2012 was \$3,623 and \$2,425, respectively.

The following table presents the changes in investments measured at fair value using Level 3 inputs for the six months ended March 31, 2013:

|   | Six months ended March 31, 2013 |                    |           |
|---|---------------------------------|--------------------|-----------|
|   | Debt Investments                | Equity Investments | Total     |
| Fair value, beginning of period                                     | \$651,485                       | \$ 21,425          | \$672,910 |
| Net change in unrealized appreciation on investments                | 384                             | 1,121              | 1,505     |
| Realized gain on investments  | 55                              | 39                 | 94        |
| Fundings of revolving loans, net                                    | 4,242                           | -                  | 4,242     |
| Fundings of investments   | 284,421                         | 4,144              | 288,565   |
| PIK interest  | 567                             | -                  | 567       |
| Proceeds from principal payments and sales of portfolio investments | (183,200)                       | (706)              | (183,906) |
| Amortization of discount and premium                                | 4,465                           | -                  | 4,465     |
| Fair value, end of period   | \$762,419                       | \$ 26,023          | \$788,442 |

The following table presents the changes in investments measured at fair value using Level 3 inputs for the six months ended March 31, 2012:

|                                 | Six months ended March 31, 2012 |                    |                        |             |
|---------------------------------|---------------------------------|--------------------|------------------------|-------------|
|                                 | Debt Investments                | Equity Investments | Derivative instruments | Total       |
| Fair value, beginning of period | \$450,437                       | \$ 9,390           | \$ (1,845)             | ) \$457,982 |
|                                 | 4,271                           | 104                | 3,325                  | 7,700       |

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|  |           |           |          |           |
|--|-----------|-----------|----------|-----------|
| Net change in unrealized appreciation (depreciation) on investments and derivative instruments |           |           |          |           |
| Realized (loss) gain on investments and derivative instruments                                 | (4,933 )  | 1         | 1,591    | (3,341 )  |
| Fundings of revolving loans, net   | 616       | -         | -        | 616       |
| Fundings of investments  | 229,209   | 8,398     | -        | 237,607   |
| PIK Interest   | 398       | -         | -        | 398       |
| Proceeds from principal payments and sales of portfolio investments                            | (86,408 ) | (66 )     | -        | (86,474 ) |
| Proceeds from derivative instruments <sup>(1)</sup>  | -         | -         | (1,591 ) | (1,591 )  |
| Amortization of discount and premium   | 2,380     | -         | -        | 2,380     |
| Fair value, end of period  | \$595,970 | \$ 17,827 | \$ 1,480 | \$615,277 |

<sup>(1)</sup> Refer to Note 7 for additional disclosures.

**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements**

(In thousands, except shares and per share data)

The following table presents quantitative information about the significant unobservable inputs of the Company's level 3 investments as of March 31, 2013:

## Quantitative information about Level 3 Fair Value Measurements

|   | Fair value at<br>March 31, 2013 | Valuation Techniques        | Unobservable Input   | Range (Weighted Average) |
|---|---------------------------------|-----------------------------|----------------------|--------------------------|
| Senior secured loans <sup>(1)(2)</sup>            | \$218,966                       | Market comparable companies | EBITDA multiples     | 5.0x - 14.7x (8.8x)      |
|   |                                 | Market rate approach        | Market interest rate | 4.9% - 15.5% (7.3%)      |
| One stop loans <sup>(3)</sup>                     | \$379,988                       | Market comparable companies | EBITDA multiples     | 5.7x - 14.7x (9.4x)      |
|   |                                 | Market rate approach        | Market interest rate | 5.9% - 11.5% (8.9%)      |
| Subordinated and second lien loans <sup>(4)</sup> | \$80,850                        | Market comparable companies | EBITDA multiples     | 7.0x - 16.5x (9.3x)      |
|   |                                 | Market rate approach        | Market interest rate | 8.0% - 21.0% (13.4%)     |
| Equity securities                                 | \$26,023                        | Market comparable companies | EBITDA multiples     | 5.5x - 14.7x (9.2x)      |

<sup>(1)</sup> Excludes \$38,980 of loans at fair value, which the Company valued using indicative bid and ask prices provided by an independent third party pricing service.

<sup>(2)</sup> Excludes \$3,822 of loans at fair value. These loans were valued using only EBITDA multiples or on a liquidation basis.

<sup>(3)</sup> Excludes \$2,265 of loans at fair value. These loans were valued using only EBITDA multiples or on a liquidation basis.

<sup>(4)</sup> Excludes \$37,548 of loans at fair value, which the Company valued using indicative bid and ask prices provided by an independent third party pricing service.



The following table presents quantitative information about the significant unobservable inputs of the Company's level 3 investments as of September 30, 2012:

## Quantitative information about Level 3 Fair Value Measurements

|  | Fair value at<br>September 30,<br>2012 | Valuation Techniques                                | Unobservable Input                       | Range (Weighted Average)                    |
|--|--|---|--|---|
| Senior secured loans <sup>(1)(2)</sup>               | \$216,063                              | Market comparable companies<br>Market rate approach | EBITDA multiples<br>Market interest rate | 4.5x - 14.5x (8.5x)<br>2.7% - 28.0% (7.9%)  |
| One stop loans                                       | \$265,705                              | Market comparable companies<br>Market rate approach | EBITDA multiples<br>Market interest rate | 4.7x - 14.5x (8.9x)<br>5.2% - 23.0% (8.9%)  |
| Subordinated and second lien loans <sup>(3)(4)</sup> | \$97,946                               | Market comparable companies<br>Market rate approach | EBITDA multiples<br>Market interest rate | 6.5x - 11.0x (8.4x)<br>8.0% - 21.0% (12.8%) |
| Equity securities                                    | \$21,425                               | Market comparable companies                         | EBITDA multiples                         | 4.5x - 14.5x (9.0x)                         |

<sup>(1)</sup> 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.

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

<sup>(3)</sup> 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.

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

The above tables are not intended to be all-inclusive but rather to provide information on significant unobservable inputs and valuation techniques used by the Company.

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.

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The following are the carrying values and fair values of the Company's debt liabilities as of March 31, 2013 and September 30, 2012. 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 March 31, 2013 |            | As of September 30, 2012 |            |
|------|----------------------|------------|--------------------------|------------|
|      | Carrying Value       | Fair Value | Carrying Value           | Fair Value |
| Debt | \$ 385,700           | \$ 388,425 | \$ 352,300               | \$ 358,046 |

**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 March 31, 2013, the Company's asset coverage for borrowed amounts was 298.6%.

**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, as amended, bear interest at three-month LIBOR plus 1.74%. 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. 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. On February

15, 2013, the Company amended the Debt Securitization to issue an additional \$29,000 in Class A Notes, \$2,000 in Class B Notes and \$19,000 in Subordinated Notes. The additional Class A Notes of the Issuer were sold through a private placement and the additional Class B Notes and additional Subordinated Notes were retained by Holdings. The Class A Notes are included in the March 31, 2013 and September 30, 2012 consolidated statements of financial condition. The Class B Notes and the Subordinated Notes are eliminated in consolidation.

From the closing date until July 20, 2015, 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 over this period. The Notes are scheduled to mature on July 20, 2023.

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 March 31, 2013 and September 30, 2012, there were 87 and 81 portfolio companies with a total fair value of \$308,526 and \$290,097, 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.

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The interest charged under the Debt Securitization is based on three-month LIBOR, which as of March 31, 2013 was 0.3%. For the three and six months ended March 31, 2013, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 2.6% and 2.9%, respectively. For the three and six months ended March 31, 2013, interest expense was \$1,096 and \$2,319, respectively. Cash paid for interest during the three and six months ended March 31, 2013 was \$1,209 and \$2,507, respectively. For the three and six months ended March 31, 2012, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.3% and 3.3%, respectively. For the three and six months ended March 31, 2012, interest expense was \$1,288 and \$2,523, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$1,249 and \$2,427, respectively.

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

| <b>Description</b> | <b>Class A Notes</b>         |
|--------------------|------------------------------|
| Type               | Senior Secured Floating Rate |
| Amount Outstanding | \$203,000                    |
| Moody's Rating     | "Aaa"                        |
| S&P Rating         | "AAA"                        |
| Interest Rate      | LIBOR + 1.74%                |
| Stated Maturity    | July 20, 2023                |

**SBA Debentures:** On August 24, 2010, GC SBIC IV, L.P. ("SBIC IV"), a wholly owned subsidiary of the Company, received approval for a license from the SBA to operate as an SBIC. On December 5, 2012, GC SBIC V, L.P. ("SBIC V"), a wholly owned subsidiary of the Company, received a license from the SBA to operate as an SBIC. SBICs are subject to a variety of regulations and oversight by the SBA concerning the size and nature of the companies in which they may invest as well as the structures of those investments.

The licenses allow the Company's SBICs 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 single SBIC licensee is \$150,000. As of March 31, 2013, SBIC IV had \$135,000 of outstanding SBA-guaranteed debentures and SBIC V had no outstanding debentures, leaving incremental borrowing capacity of \$15,000 and \$75,000 for SBIC IV and SBIC V, respectively, under present SBIC regulations. As of September 30, 2012, SBIC IV had \$123,500 of outstanding SBA-guaranteed debentures.

SBIC IV may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements. As of March 31, 2013, the Company had committed and funded \$75,000 to SBIC IV and had SBA-guaranteed debentures of \$135,000 outstanding which mature between March 2021 and March 2023. The interest rate on the \$135,000 of outstanding debentures was fixed at an average annualized interest rate of 3.4%. For the three and six months ended March 31, 2013, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.7% and 3.8%, respectively. For the three and six months ended March 31, 2013, interest expense was \$1,093 and \$2,185, respectively. Cash paid for interest during the three and six months ended March 31, 2013 was \$2,133 and \$2,133, respectively. For the three and six months ended March 31, 2012, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.2% and 3.3%, respectively. For the three and six months ended March 31, 2012, interest expense was \$702 and \$1,330, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$1,210 and \$1,210, respectively.

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SBIC V may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements including, but not limited to, an examination by the SBA. As of March 31, 2013, the Company had committed \$37,500 and funded \$10,000 to SBIC V.

**Revolving Credit Facility:** On July 21, 2011, Golub Capital BDC Funding LLC (“Funding”), a wholly owned subsidiary of the Company, entered into a 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. Effective March 8, 2013, Funding entered into an amendment to the documents governing Funding’s Credit Facility to, among other things, decrease the size of the Credit Facility from \$150,000 to \$100,000.

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. On January 25, 2013, the Credit Facility was amended to, among other things, amend the fee on the unused portion of the Credit Facility to 0.50% for the period from December 13, 2012 through January 28, 2013. From January 28, 2013 through March 8, 2013, the Company paid a fee of 0.50% per annum on any unused portion of the Credit Facility up to \$60,000 and 2.00% on any unused portion in excess of \$60,000. From March 8, 2013 and thereafter, the Company will pay a fee of 0.50% per annum on any unused portion of the Credit Facility up to \$40,000 and 2.00% on any unused portion in excess of \$40,000. Additionally, the Company received a one-time interest expense credit of \$125 during the three months ended March 31, 2013.

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 March 31, 2013 and September 30, 2012, the Company had outstanding debt under the Credit Facility of \$47,700 and \$54,800, respectively. For the three and six months ended March 31, 2013, the Company had borrowings on the Credit Facility of \$65,300 and \$161,450 and repayments on the Credit Facility of \$80,050 and 139,550, respectively. For the three and six months ended March 31, 2012, the Company had borrowings on the Credit Facility of \$34,200 and \$69,717 and repayments on the Credit Facility of \$37,900 and 37,900, respectively. For the three and six months ended March 31, 2013, the effective annualized average interest rate on outstanding borrowings, which includes amortization of debt financing costs, was 3.5% and 2.7%, respectively. For the three and six months ended March 31, 2013, interest expense was \$386 and \$699, respectively. Cash paid for interest during the three and six months ended March 31, 2013 was \$402 and \$650, respectively. For the three and six months ended March 31, 2012, the effective annualized average interest rate on outstanding borrowings, which includes amortization of debt financing costs, was 3.0% and 3.0%, respectively. For the three and six months ended March 31, 2012, interest expense was \$233 and \$397, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$244 and \$369, respectively.

The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and six months ended March 31, 2013 was \$375,771 and \$357,066, respectively. The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and six months ended March 31, 2012 was \$301,108 and \$287,205, respectively.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
(In thousands, except shares and per share data)

For the three and six months ended March 31, 2013, the effective annualized average interest rate on the Company's total debt outstanding was 3.5% and 3.5%, respectively. For the three and six months ended March 31, 2012, the effective annualized average interest rate on the Company's total debt outstanding was 3.4% and 3.4%, respectively.

A summary of the Company's maturity requirements for borrowings as of March 31, 2013 is as follows:

|                     | Payments Due by Period |                     |           |           |                      |
|---------------------|------------------------|---------------------|-----------|-----------|----------------------|
|                     | Total                  | Less Than<br>1 Year | 1-3 Years | 3-5 Years | More Than<br>5 Years |
| Debt Securitization | \$203,000              | \$ -                | \$ -      | \$ -      | \$ 203,000           |
| SBA debentures      | 135,000                | -                   | -         | -         | 135,000              |
| Credit Facility     | 47,700                 | -                   | -         | 47,700    | -                    |
| Total borrowings    | \$385,700              | \$ -                | \$ -      | \$ 47,700 | \$ 338,000           |

**Note 7. Derivative Instruments**

The Company had sold or terminated all of its derivative instruments prior to September 30, 2012. The following table summarizes realized and unrealized gains and losses on derivative instruments recorded by the Company for the three and six months ended March 31, 2012 and the location on the consolidated statements of operations:

|                      | Location   | Three months ended<br>March 31, 2012 |                        | Location   | Three months ended<br>March 31, 2012 |                        |
|----------------------|--|--------------------------------------|------------------------|--|--------------------------------------|------------------------|
|                      |  | Realized Gain (Loss)                 | Unrealized Gain (Loss) |  | Realized Gain (Loss)                 | Unrealized Gain (Loss) |
| Futures<br>Contracts | Net realized gain<br>(loss) on derivative<br>instruments | \$ (231 )                            | \$ (603 )              | Net change in unrealized<br>appreciation (depreciation) on<br>derivative instruments | \$ 557                               | \$ 459                 |
| TRS                  | Net realized gain<br>(loss) on derivative<br>instruments | 955                                  | 1,591                  | Net change in unrealized<br>appreciation (depreciation) on<br>derivative instruments | 1,870                                | 3,325                  |
|                      |  | \$ 724                               | \$ 988                 |  | \$ 2,427                             | \$ 3,784               |



**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 three and six months ended March 31, 2012, the realized loss on settlement of futures contracts was \$(231) and \$(603), respectively, and the change in unrealized appreciation related to the futures contracts was \$557 and \$459, respectively. The total volume of futures contracts that the Company entered into for the three and six months ended March 31, 2012 was two hundred and fifty and five hundred, respectively.

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

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.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
(In thousands, except shares and per share data)

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.

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.

The change in the fair value of the TRS was \$1,870 and \$3,325 for the three and six months ended March 31, 2012, respectively. Realized gains on the TRS for the three months ended March 31, 2012 were \$955, which consisted of spread interest income of \$923 and a realized gain of \$32 on the referenced loans. Realized gains on the TRS for the six months ended March 31, 2012 were \$1,591, which consisted of spread interest income of \$1,570 and a realized gain of \$21 on the referenced loans.

**Note 8. Commitments and Contingencies**

**Commitments:** The Company had outstanding commitments to fund investments totaling \$59,846 and \$56,547 under various undrawn revolvers and other credit facilities as of March 31, 2013 and September 30, 2012, 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.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
(In thousands, except shares and per share data)

**Note 9. Financial Highlights**

The financial highlights for the Company are as follows:

|   | Six months ended March 31 |   |            |   |
|---|---------------------------|---|------------|---|
| Per share data <sup>(1)</sup> :                                   | 2013                      |   | 2012       |   |
| Net asset value at beginning of period                            | \$ 14.60                  |   | \$ 14.56   |   |
| Net increase in net assets as a result of public offerings        | 0.13                      |   | -          |   |
| Dividends and distributions declared                              | (0.64                     | ) | (0.64      | ) |
| Net investment income   | 0.66                      |   | 0.59       |   |
| Net realized loss on investments                                  | -                         |   | (0.22      | ) |
| Net realized gain on derivative instruments                       | -                         |   | 0.04       |   |
| Net change in unrealized appreciation on investments              | 0.05                      |   | 0.19       |   |
| Net change in unrealized appreciation on derivative instruments   | -                         |   | 0.17       |   |
| Net asset value at ending of period                               | \$ 14.80                  |   | \$ 14.69   |   |
| Per share market value at end of period                           | \$ 16.51                  |   | \$ 15.27   |   |
| Total return based on market value <sup>(2)</sup>                 | 7.86                      | % | 7.14       | % |
| Total return based on average net asset value*                    | 9.66                      | % | 10.43      | % |
| Shares outstanding at end of period                               | 33,754,512                |   | 25,639,371 |   |
| Ratios/Supplemental Data:   |                           |   |            |   |
| Ratio of expenses (without incentive fees) to average net assets* | 6.21                      | % | 6.56       | % |
| Ratio of incentive fees to average net assets <sup>(3)</sup>      | 2.18                      | % | 1.39       | % |
| Ratio of total expenses to average net assets <sup>(3)</sup>      | 8.39                      | % | 7.95       | % |
| Ratio of net investment income to average net assets*             | 8.95                      | % | 7.93       | % |
| Net assets at end of period                                       | \$ 499,653                |   | \$ 376,725 |   |
| Average debt outstanding  | \$ 357,066                |   | \$ 287,205 |   |
| Average debt outstanding per share                                | \$ 10.58                  |   | \$ 11.20   |   |
| Portfolio turnover*   | 49.94                     | % | 31.91      | % |

\*

Annualized for a period less than one year

(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 six months ended March 31, 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 1.77% and 8.32%, respectively, for the six months ended March 31, 2012.

**Golub Capital BDC, Inc. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
(In thousands, except shares and per share data)

**Note 10. Earnings Per Share**

The following information sets forth the computation of the net increase in net assets per share resulting from operations for the three and six months ended March 31, 2013 and 2012:

|   | Three months ended March 31, |            | Six months ended March 31, |            |
|---|------------------------------|------------|----------------------------|------------|
|   | 2013                         | 2012       | 2013                       | 2012       |
| Earnings available to stockholders                    | \$ 12,251                    | \$ 11,431  | \$ 21,570                  | \$ 17,621  |
| Basic and diluted weighted average shares outstanding | 32,532,794                   | 24,059,623 | 30,207,933                 | 22,890,820 |
| Basic and diluted earnings per share                  | \$ 0.38                      | \$ 0.48    | \$ 0.71                    | \$ 0.77    |

**Note 11. Dividends and Distributions**

The Company's dividends and distributions are recorded on the record date. The following table summarizes the Company's dividend declarations and distributions during the six months ended March 31, 2013 and 2012:

| Date Declared                   | Record Date | Payment Date | Amount Per Share | Cash Distribution | DRIP Shares Issued | DRIP Shares Value |
|---------------------------------|-------------|--------------|------------------|-------------------|--------------------|-------------------|
| Six months ended March 31, 2013 |             |              |                  |                   |                    |                   |
| 2/5/2013                        | 3/14/2013   | 3/28/2013    | \$ 0.32          | \$ 10,370         | 26,914             | \$ 423            |
| 11/27/2012                      | 12/14/2012  | 12/28/2012   | \$ 0.32          | \$ 8,804          | 23,115             | \$ 342            |
| Six months ended March 31, 2012 |             |              |                  |                   |                    |                   |
| 2/2/2012                        | 3/16/2012   | 3/29/2012    | \$ 0.32          | \$ 7,381          | 55,416             | \$ 805            |
| 12/7/2011                       | 12/19/2011  | 12/29/2011   | \$ 0.32          | \$ 6,580          | 25,052             | \$ 375            |

**Note 12. Subsequent Events**

On May 1, 2013, the Company's Board declared a quarterly distribution of \$0.32 per share payable on June 27, 2013 to holders of record as of June 13, 2013.

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

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes thereto appearing elsewhere in this quarterly report on Form 10-Q. In this report, "we," "us," "our" and "Golub Capital BDC" refer to Golub Capital BDC, Inc. and its consolidated subsidiaries.

### Forward-Looking Statements

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

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

Such forward-looking statements may include statements preceded by, followed by or that otherwise include the words "may," "might," "will," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "anticipate," "predict" or similar words. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, many of which are beyond our control and difficult to predict. Our actual results could differ materially



from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as “Risk Factors” and elsewhere in this quarterly report on Form 10-Q.

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

You should understand that, under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to this quarterly report on Form 10-Q.

## Overview

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for U.S. federal income tax purposes, we have elected to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended, or 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, Golub Capital Master Funding LLC, or 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), subordinated (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), second lien 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 \$8.0 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 an investment advisory agreement, or the Investment Advisory Agreement, entered into on April 14, 2010, and amended and restated on July 16, 2010, we have agreed to pay GC Advisors an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. Our board of directors most recently reapproved the Investment Advisory Agreement on February 5, 2013. We entered into an administration agreement, or the Administration Agreement, with GC Service Company, LLC, or including, as the context may require, Golub Capital LLC after the assignment of the Administration Agreement to Golub Capital LLC on February 5, 2013, the Administrator, under which we have agreed to reimburse the Administrator for our allocable

portion (subject to the review and approval of our independent directors) of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement.

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

As of March 31, 2013, our portfolio at fair value was comprised of 33.2% senior secured loans, 48.5% one stop loans, 9.7% second lien loans, 5.3% subordinated loans and 3.3% equity securities. 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% subordinated loans and 3.2% equity.

As of March 31, 2013 and September 30, 2012, we had debt and equity investments in 135 and 121 portfolio companies, respectively. For the three and six months ended March 31, 2013, our income producing assets had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 9.5% and 9.6% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 10.6% and 10.9%, respectively. For the three and six months ended March 31, 2012, our income producing assets had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 9.6% and 9.4% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 10.5% and 10.4%, 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 subordinated loans, typically have a term of three to seven years and bear interest at a fixed or floating rate. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or payment-in-kind, or PIK, interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums on loans as interest income. When we receive partial principal payments on a loan in an amount that exceeds its amortized or accreted 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;

administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement based upon our allocable portion of the Administrator'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 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 compliance under the Sarbanes-Oxley Act of 2002;  
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 the Administrator 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 Golub Capital BDC 2010-1 LLC, or the Securitization Issuer, under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee. Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term "collection period" refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the initial structuring and subsequent amendment of a \$350 million term debt securitization, or 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 an administrative expense 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

Based on new investment commitments closed in April and our pipeline for the rest of the quarter, we believe new originations will be strong for the quarter ended June 30, 2013. The increase in new investment commitments is driven by opportunistic refinancings as well as a pick-up in M&A activity.

On May 1, 2013, our board of directors declared a quarterly distribution of \$0.32 per share payable on June 27, 2013 to holders of record as of June 13, 2013.

**Consolidated Results of Operations**

Consolidated operating results for the three and six months ended March 31, 2013 and 2012 are as follows:

|  | Three months ended March 31, 2013 |                 |               | Six months ended March 31, 2013 |                  |                 |
|--|-----------------------------------|-----------------|---------------|---------------------------------|------------------|-----------------|
|  | 2013                              | 2012            | 2013 vs. 2012 | 2013                            | 2012             | 2013 vs. 2012   |
|  | (In thousands)                    |                 |               |                                 |                  |                 |
| Interest income  | \$17,592                          | \$13,062        | \$ 4,530      | \$ 33,479                       | \$ 24,072        | \$ 9,407        |
| Income from amortization of discounts and origination fees                                     | 2,025                             | 1,290           | 735           | 4,465                           | 2,380            | 2,085           |
| Dividend income  | 479                               | -               | 479           | 746                             | 377              | 369             |
| <b>Total investment income</b>   | <b>20,096</b>                     | <b>14,352</b>   | <b>5,744</b>  | <b>38,690</b>                   | <b>26,829</b>    | <b>11,861</b>   |
| Total expenses   | 9,702                             | 7,287           | 2,415         | 18,719                          | 13,423           | 5,296           |
| Net investment income  | 10,394                            | 7,065           | 3,329         | 19,971                          | 13,406           | 6,565           |
| Net realized (losses) gains on investments and derivative instruments                          | -                                 | (2,093 )        | 2,093         | 94                              | (3,944 )         | 4,038           |
| Net change in unrealized appreciation (depreciation) on investments and derivative instruments | 1,857                             | 6,459           | (4,602 )      | 1,505                           | 8,159            | (6,654 )        |
| <b>Net income</b>  | <b>\$12,251</b>                   | <b>\$11,431</b> | <b>\$ 820</b> | <b>\$ 21,570</b>                | <b>\$ 17,621</b> | <b>\$ 3,949</b> |
| Average earning portfolio company investments, at fair value                                   | \$747,683                         | \$553,494       | \$ 194,189    | \$ 705,707                      | \$ 517,562       | \$ 188,145      |
| Average debt outstanding   | \$375,771                         | \$301,108       | \$ 74,663     | \$ 357,066                      | \$ 287,205       | \$ 69,861       |

The results of operations for the three and six months ended March 31, 2013 and 2012 may not be indicative of the results we report in future periods. Net income can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net income may not be meaningful.

**Investment Income**



Interest income increased by \$4.5 million from the three months ended March 31, 2012 to the three months ended March 31, 2013 and was primarily driven by an increase of \$194.2 million in the weighted average investment balance as the weighted average annualized interest income yield (which excludes income resulting from amortization of fees and discounts) remained relatively flat at 9.6% for the three months ended March 31, 2012 as compared to 9.5% for the three months ended March 31, 2013.

Interest income increased by \$9.4 million from the six months ended March 31, 2012 to the six months ended March 31, 2013 and was primarily driven by an increase of \$188.1 million in the weighted average investment balance. To a lesser extent, the increase in interest income was also caused by an increase in the weighted average annualized interest income yield (which excludes income resulting from amortization of fees and discounts) from 9.4% for the six months ended March 31, 2012 to 9.6% for the six months ended March 31, 2013.

Income from the accretion of discounts and amortization of premiums increased by \$0.7 million from the three months ended March 31, 2012 to the three months ended March 31, 2013. Income from the accretion of discounts and amortization of premiums increased by \$2.1 million from the six months ended March 31, 2012 to the six months ended March 31, 2013. Income from the accretion of discounts and the amortization of premiums may fluctuate from quarter-to-quarter depending on the average fair value of investments outstanding, the volume of payoffs and the discounts and premiums on the loans at the time of payoffs.

For the three and six months ended March 31, 2013, we recorded dividend income of \$479 and \$746, respectively. For the three and six months ended March 31, 2012, we recorded dividend income of zero and \$377, respectively.

Annualized interest income yield (which excludes income resulting from amortization of fees and discounts) by security type for the three and six months ended March 31, 2013 and 2012 was as follows:

|                            | Three months ended March 31, |      |      | Six months ended March 31, |      |   |      |   |
|----------------------------|------------------------------|------|------|----------------------------|------|---|------|---|
|                            | 2013                         | 2012 |      | 2013                       | 2012 |   |      |   |
| Senior secured             | 7.3                          | %    | 7.4  | %                          | 7.3  | % | 7.4  | % |
| One stop                   | 8.9                          | %    | 8.9  | %                          | 8.9  | % | 8.8  | % |
| Second lien <sup>(1)</sup> | 11.8                         | %    | 11.8 | %                          | 11.5 | % | 11.3 | % |
| Subordinated debt          | 13.6                         | %    | 14.1 | %                          | 13.9 | % | 14.0 | % |

<sup>(1)</sup> Second lien loans include loans structured as first lien last out term loans.

Interest rate yields remained relatively consistent as pricing on new originations remained relatively consistent during the past year. 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 three and six months ended March 31, 2013 and 2012:

|  | Three months ended March 31, |         |               | Six months ended March 31, Variances |           |               |
|--|------------------------------|---------|---------------|--------------------------------------|-----------|---------------|
|  | 2013                         | 2012    | 2013 vs. 2012 | 2013                                 | 2012      | 2013 vs. 2012 |
|  | (In thousands)               |         |               |                                      |           |               |
| Interest and other debt financing expenses | \$3,292                      | \$2,580 | \$ 712        | \$ 6,287                             | \$ 4,946  | \$ 1,341      |
| Base management fee                        | 2,686                        | 2,093   | 593           | 5,154                                | 3,967     | 1,187         |
| Incentive fee                              | 2,468                        | 1,434   | 1,034         | 4,862                                | 2,344     | 2,518         |
| Professional fees                          | 512                          | 559     | (47 )         | 1,006                                | 1,147     | (141 )        |
| Administrative service fee                 | 610                          | 455     | 155           | 1,158                                | 718       | 440           |
| General and administrative expenses        | 134                          | 166     | (32 )         | 252                                  | 301       | (49 )         |
| Total expenses                             | \$9,702                      | \$7,287 | \$ 2,415      | \$ 18,719                            | \$ 13,423 | \$ 5,296      |

Interest and other debt financing expenses increased by \$0.7 million from the three months ended March 31, 2012 to the three months ended March 31, 2013 primarily due to an increase in the weighted average of outstanding borrowings from \$301.1 million for the three months ended March 31, 2012 to \$375.8 million for the three months ended March 31, 2013. The increase in debt was driven by an amendment to increase our Debt Securitization from \$174.0 million to \$203.0 million as well an increase in our use of debt through one of our small business investment company, or SBIC, subsidiaries and our revolving credit facility, or the Credit Facility, which had outstanding balances of \$135.0 million and \$47.7 million, respectively, as of March 31, 2013 and \$123.5 million and \$34.2 million, respectively, as of March 31, 2012. To a lesser extent, the increase in interest expense was also caused by an increase in the effective annualized average interest rate on our outstanding debt from 3.4% for the three months ended March 31, 2012 to 3.5% for the three months ended March 31, 2013.

Interest and other debt financing expenses increased by \$1.3 million from the six months ended March 31, 2012 to the six months ended March 31, 2013 primarily due to an increase in the weighted average of outstanding borrowings from \$287.2 million for the six months ended March 31, 2012 to \$357.1 million for the six months ended March 31, 2013. To a lesser extent, the increase in interest expense was also caused by an increase in the effective annualized average interest rate on our outstanding debt from 3.4% for the six months ended March 31, 2012 to 3.5% for the six months ended March 31, 2013.

The base management fee increased as a result of a sequential increase in average assets and average investments from March 31, 2012 to March 31, 2013. The administrative service fee expense increased during this same period 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 also partially related to the increase in the administrative service fee from the six months ended March 31, 2012 to the six months ended March 31, 2013. These costs are permitted to be charged under the terms of the Administration Agreement but were previously being waived by the Administrator.

The incentive fee increased by \$1.0 million and \$2.5 million from the three and six months ended March 31, 2012 to the three and six months ended March 31, 2013, respectively, as a result of the increase in pre-incentive fee net investment income. In addition, as further described below, the incentive fee for the six months ended March 31, 2012 was reduced by \$0.6 million as GC Advisors irrevocably waived the incremental portion of the incentive fee attributable from the total return swap, or TRS, interest spread payments.

As described in the “Net Realized and Unrealized Gains and Losses” section below, we entered into 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 during the three months ended December 31, 2011 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 three and six months ended March 31, 2012, the Company received interest spread payments of \$0.9 million and \$1.6 million, respectively. 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, 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 three months ended March 31, 2012, the incentive fee was \$1.4 million. For the six months ended March 31, 2012, after taking into account the waiver by the Investment Adviser, the incentive fee was \$2.3 million, rather than \$2.9 million.

Golub Capital Incorporated and the Administrator pay for certain expenses incurred by us. These expenses are subsequently reimbursed in cash. Total expenses reimbursed by us to Golub Capital Incorporated and the Administrator for the three and six months ended March 31, 2013 were \$0.3 million and \$0.3 million, respectively. Total expenses reimbursed by us to Golub Capital Incorporated and the Administrator for the three and six months ended March 31, 2012 were \$0.1 million and \$0.2 million, respectively.

As of March 31, 2013 and September 30, 2012, included in accounts payable and accrued expenses were \$0.3 million and \$40,000, respectively, for accrued expenses paid on behalf of us by Golub Capital Incorporated and the Administrator.



**Net Realized and Unrealized Gains and Losses**

The following table summarizes our net realized and unrealized gains (losses) for the three and six months ended March 31, 2013 and 2012:

|   | Three months ended March 31, 2013 |           |               | Six months ended March 31, 2013 |           |               | Variances |      |               |
|---|-----------------------------------|-----------|---------------|---------------------------------|-----------|---------------|-----------|------|---------------|
|   | 2013                              | 2012      | 2013 vs. 2012 | 2013                            | 2012      | 2013 vs. 2012 | 2013      | 2012 | 2013 vs. 2012 |
|   | (In thousands)                    |           |               |                                 |           |               |           |      |               |
| Net realized (loss) gain on investments   | \$-                               | \$(2,817) | \$ 2,817      | \$ 94                           | \$(4,932) | \$ 5,026      |           |      |               |
| Net realized gain on TRS  | -                                 | 955       | (955)         | -                               | 1,591     | (1,591)       |           |      |               |
| Net realized (loss) on financial futures contracts                              | -                                 | (231)     | 231           | -                               | (603)     | 603           |           |      |               |
| Net realized (loss) gain  | -                                 | (2,093)   | 2,093         | 94                              | (3,944)   | 4,038         |           |      |               |
| Unrealized depreciation on investments  | (4,156)                           | (2,924)   | (1,232)       | (8,432)                         | (6,811)   | (1,621)       |           |      |               |
| Unrealized appreciation on investments  | 6,013                             | 6,956     | (943)         | 9,937                           | 11,186    | (1,249)       |           |      |               |
| Unrealized appreciation on TRS  | -                                 | 1,870     | (1,870)       | -                               | 3,325     | (3,325)       |           |      |               |
| Unrealized appreciation on financial futures contracts                          | -                                 | 557       | (557)         | -                               | 459       | (459)         |           |      |               |
| Net change in unrealized appreciation on investments and derivative instruments | \$1,857                           | \$6,459   | \$(4,602)     | \$1,505                         | \$8,159   | \$(6,654)     |           |      |               |

During the three months ended March 31, 2013, we had \$6.0 million in unrealized appreciation on 61 portfolio company investments, which was partially offset by \$4.2 million in unrealized depreciation on 71 portfolio company investments. For the six months ended March 31, 2013, we had \$9.9 million in unrealized appreciation on 71 portfolio company investments, which was partially offset by \$8.4 million in unrealized depreciation on 75 portfolio company investments. Unrealized depreciation during the three and six months ended March 31, 2013 primarily resulted from the accretion of discounts and negative credit related adjustments that caused a reduction in fair value. Unrealized appreciation during the three and six months ended March 31, 2013 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 three and six months ended March 31, 2012, we had net realized losses on investments of \$2.8 million and \$4.9 million, respectively, primarily as a result of the sale of our investment in one non-accrual portfolio company in the three months ended March 31, 2012 and the sale of our investment in one non-accrual portfolio company in the three months ended December 31, 2011. During the three months ended March 31, 2012, we had \$6.9 million in unrealized appreciation on 32 portfolio company investments, which was partially offset by \$2.9 million in unrealized

depreciation on 82 portfolio company investments. For the six months ended March 31, 2012, we had \$11.2 million in unrealized appreciation on 46 portfolio company investments, which was partially offset by \$6.8 million in unrealized depreciation on 76 portfolio company investments. Unrealized depreciation during the three and six months ended March 31, 2012 primarily resulted from the accretion of discounts and negative credit related adjustments that caused a reduction in fair value. Unrealized appreciation during the three and six months ended March 31, 2012 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation.

#### *Termination of the Total Return Swap*

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

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.

The change in the fair value of the TRS was \$1.9 million and \$3.3 million for the three and six months ended March 31, 2012, respectively. Realized gains on the TRS for the three months ended March 31, 2012 were \$1.0 million, which consisted of spread interest income of \$0.9 million and a realized gain of \$0.1 million on the referenced loans. Realized gains on the TRS for the six months ended March 31, 2012 were \$1.6 million, which consisted of spread interest income of \$1.5 million and a realized gain of \$0.1 million on the referenced loans.

### *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 U.S. Small Business Administration, or SBA, debentures. The cash collateral underlying the futures contracts has been 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 three and six months ended March 31, 2012, the realized loss on settlement of futures contracts was \$0.2 million and \$0.6 million, respectively. For the three and six months ended March 31, 2012, the change in unrealized appreciation related to the futures contracts was \$0.6 million and \$0.5 million, respectively.

### **Liquidity and Capital Resources**

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

For the six months ended March 31, 2013, we experienced a net decrease in cash and cash equivalents of \$4.9 million. During the same period, we used \$91.9 million in operating activities, primarily as a result of fundings of portfolio investments of \$288.6 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of \$183.9 million and net investment income of \$20.0 million. During the same period, cash used in investment activities of \$47.2 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was \$134.1 million, primarily due to borrowings on debt of \$173.0 million and proceeds from shares sold from our public offerings of \$122.5 million (described below), partially offset by repayments of debt of \$139.6 million and distributions paid of \$19.2 million.



For the six months ended March 31, 2012, we experienced a net decrease in cash and cash equivalents of \$16.2 million. During the period, we used \$131.9 million in operating activities, primarily as a result of fundings of portfolio investments of \$237.6 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of \$86.5 million and net investment income of \$13.4 million. During the same period, cash used in investment activities of \$19.1 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was \$134.8 million, primarily due to borrowings on debt of \$131.9 million and proceeds from shares sold from our public offering of \$57.2 million (described below), partially offset by repayments of debt of \$37.9 million and distributions paid of \$14.0 million.

As of March 31, 2013 and September 30, 2012, we had cash and cash equivalents of \$9.0 million and \$13.9 million, respectively. In addition, we had restricted cash and cash equivalents of \$84.2 million and \$37.0 million as of March 31, 2013 and September 30, 2012, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. As of March 31, 2013, \$49.3 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. \$4.0 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 \$30.9 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 SBICs, 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 March 31, 2013 and September 30, 2012, we had outstanding commitments to fund investments totaling \$59.8 million and \$56.5 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 March 31, 2013 and September 30, 2012, respectively, subject to the terms of each loan's respective credit agreement.

On January 25, 2013, the Credit Facility was amended to, among other things, amend the fee on the unused portion of the Credit Facility to 0.50% for the period from December 13, 2012 through January 28, 2013. From January 28, 2013 through March 8, 2013, we paid a fee of 0.50% per annum on any unused portion of the Credit Facility up to \$60.0 million and 2.00% on any unused portion in excess of \$60.0 million. From March 8, 2013 and thereafter, we will pay a fee of 0.50% per annum on any unused portion of the Credit Facility up to \$40.0 million and 2.00% on any unused portion in excess of \$40.0 million. Effective March 8, 2013, we entered into an amendment to the documents governing the Credit Facility to, among other things, decrease the size of the Credit Facility from \$150.0 million to \$100.0 million. Additionally, we received a one-time interest expense credit of \$0.1 million during the three months ended March 31, 2013. As of March 31, 2013 and September 30, 2012, subject to leverage and borrowing base restrictions, we had approximately \$52.3 million and \$20.2 million, respectively, available for additional borrowings on the Credit Facility.

On February 15, 2013, we amended the Debt Securitization to issue an additional \$29.0 million in Class A Notes, \$2.0 million in Class B Notes and \$19.0 million in Subordinated Notes. The Class A Notes are included in the March 31, 2013 and September 30, 2012 consolidated statements of financial condition. The Class B Notes and the Subordinated Notes are eliminated in consolidation. As of March 31, 2013 and September 30, 2012, we had outstanding debt under the Debt Securitization of \$203.0 million and \$174.0 million, respectively.

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. As of March 31, 2013, GC SBIC IV, L.P., or SBIC IV, had \$135.0 million of outstanding SBA-guaranteed debentures and GC SBIC V, L.P., or SBIC V, had no outstanding debentures, leaving incremental borrowing capacity of \$15.0 million and \$75.0 million for SBIC IV and SBIC V, respectively, under present SBIC regulations. As of September 30, 2012, SBIC IV had \$123.0 million of outstanding SBA-guaranteed debentures.

SBIC IV may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements. As of March 31, 2013, we had committed and funded \$75.0 million to SBIC IV and had SBA-guaranteed debentures of \$135.0 million outstanding which mature between March 2021 and March 2023. SBIC V may borrow funds from the SBA against regulatory capital, subject to customary regulatory requirements including, but not limited to, an examination by the SBA. As of March 31, 2013, we had committed \$37.5 million and funded \$10.0 million to SBIC V, and SBIC V had no SBA-guaranteed debentures outstanding.

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 March 31, 2013, our asset coverage for borrowed amounts was 298.6% (excluding the SBA debentures).

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. 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 January 15, 2013, we priced a public offering of 4,500,000 shares of its common stock at a public offering price of \$15.87 per share, raising approximately \$71.4 million in gross proceeds. On January 18, 2013, the transaction closed, the shares were issued, and proceeds, net of offering costs but before expenses, of \$69.1 million were received. On February 20, 2013, we sold an additional 622,262 shares of our common stock at a public offering price of \$15.87 per share pursuant to the underwriters' partial exercise of the over-allotment option.

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 March 31, 2013 will be sufficient to fund our anticipated requirements through at least March 31, 2014.

*Portfolio Composition, Investment Activity and Yield*

As of March 31, 2013 and September 30, 2012, we had investments in 135 and 121 portfolio companies, respectively, with a total value of \$788.4 million and \$672.9 million, respectively. The following table shows the asset mix of our new originations for the three and six months ended March 31, 2013 and 2012:

|                                  | Three months ended March 31,<br>2013 |                              |   | 2012           |                              |   | Six months ended March 31,<br>2013 |                              |   | 2012           |                              |   |
|----------------------------------|--------------------------------------|------------------------------|---|----------------|------------------------------|---|------------------------------------|------------------------------|---|----------------|------------------------------|---|
|                                  | (In thousands)                       | Percentage of<br>Commitments | % | (In thousands) | Percentage of<br>Commitments | % | (In thousands)                     | Percentage of<br>Commitments | % | (In thousands) | Percentage of<br>Commitments | % |
| Senior secured                   | \$20,668                             | 35.6                         | % | \$38,885       | 39.5                         | % | \$78,919                           | 24.6                         | % | \$88,202       | 33.6                         | % |
| One stop                         | 14,438                               | 24.8                         |   | 35,323         | 35.9                         |   | 175,438                            | 54.8                         |   | 97,468         | 37.1                         |   |
| Second lien                      | 22,454                               | 38.6                         |   | 11,905         | 12.1                         |   | 61,864                             | 19.3                         |   | 32,636         | 12.4                         |   |
| Subordinated debt                | -                                    | -                            |   | 8,708          | 8.9                          |   | -                                  | -                            |   | 35,783         | 13.7                         |   |
| Equity securities                | 555                                  | 1.0                          |   | 3,533          | 3.6                          |   | 4,144                              | 1.3                          |   | 8,399          | 3.2                          |   |
| Total new investment commitments | \$58,115                             | 100.0                        | % | \$98,354       | 100.0                        | % | \$320,365                          | 100.0                        | % | \$262,488      | 100.0                        | % |

For the three and six months ended March 31, 2013, we had approximately \$35.2 million and \$167.5 million in proceeds from principal payments of portfolio companies, respectively. For the three and six months ended March 31, 2013, we had sales of securities in one and seven portfolio companies aggregating approximately \$2.4 million and \$16.4 million, respectively.

For the three and six months ended March 31, 2012, we had approximately \$40.2 million and \$80.3 million in proceeds from principal payments of portfolio companies, respectively. For the three and six months ended March 31, 2012, we had sales of securities in five and seven portfolio companies aggregating approximately \$3.4 and \$6.2 million, respectively.

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

|                              | As of March 31, 2013 <sup>(1)</sup> |                |            | As of September 30, 2012 <sup>(1)</sup> |                |            |
|------------------------------|-------------------------------------|----------------|------------|---|----------------|------------|
|                              | Par                                 | Amortized Cost | Fair Value | Par                                     | Amortized Cost | Fair Value |
| (In thousands)               |                                     |                |            |   |                |            |
| Senior secured:              |                                     |                |            |   |                |            |
| Performing                   | \$263,649                           | \$259,872      | \$259,376  | \$274,846                               | \$270,209      | \$272,461  |
| Non-accrual <sup>(2)</sup>   | 5,488                               | 5,045          | 2,392      | 5,733                                   | 5,527          | 1,528      |
| One stop:                    |                                     |                |            |   |                |            |
| Performing                   | 383,209                             | 376,687        | 382,253    | 267,393                                 | 262,876        | 265,705    |
| Non-accrual <sup>(2)</sup>   | -                                   | -              | -          | -                                       | -              | -          |
| Second lien <sup>(3)</sup> : |                                     |                |            |   |                |            |
| Performing                   | 75,943                              | 75,008         | 76,572     | 44,267                                  | 42,775         | 44,108     |
| Non-accrual <sup>(2)</sup>   | 413                                 | 382            | -          | 589                                     | 573            | 259        |
| Subordinated debt:           |                                     |                |            |   |                |            |
| Performing                   | 40,836                              | 40,333         | 41,826     | 65,989                                  | 65,005         | 65,989     |
| Non-accrual <sup>(2)</sup>   | 3,115                               | 3,001          | -          | 2,870                                   | 2,810          | 1,435      |
| Equity                       | N/A                                 | 23,540         | 26,023     | N/A                                     | 20,066         | 21,425     |
| Total                        | \$772,653                           | \$783,868      | \$788,442  | \$661,687                               | \$669,841      | \$672,910  |

(1) 10 and 14 of our loans included a feature permitting a portion of the interest due on such loan to be PIK interest as of March 31, 2013 and September 30, 2012, respectively.

(2) We refer to a loan as non-accrual when we cease recognizing interest income on the loan because we have stopped pursuing repayment of the loan or, in certain circumstances, it is past due 90 days or more on principal and interest or our management has reasonable doubt that principal or interest will be collected. See "—Critical Accounting Policies— Revenue Recognition."

(3) Second lien loans included \$4.5 million and \$14.0 million of loans structured as first lien last out term loans as of March 31, 2013 and September 30, 2012, respectively. First lien last out terms loans are included with second lien loans as they have similar risk characteristics

The following table shows the weighted average rate, spread over the London Interbank Offered Rate, or 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 three and six months ended March 31, 2013 and 2012:

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|   | Three months ended March 31, |      | Six months ended March 31, |      |      |   |      |   |
|---|------------------------------|------|----------------------------|------|------|---|------|---|
|   | 2013                         | 2012 | 2013                       | 2012 |      |   |      |   |
| Weighted average rate of new investment fundings                            | 8.8                          | %    | 8.9                        | %    | 8.4  | % | 9.4  | % |
| Weighted average spread over LIBOR of new floating rate investment fundings | 6.2                          | %    | 7.0                        | %    | 6.8  | % | 7.2  | % |
| Weighted average rate of new fixed rate investment fundings                 | 16.0                         | %    | 13.0                       | %    | 16.0 | % | 13.9 | % |
| Weighted average fees of new investment fundings                            | 1.1                          | %    | 1.7                        | %    | 1.6  | % | 2.0  | % |
| Weighted average rate of sales and payoffs of portfolio companies           | 10.2                         | %    | 7.4                        | %    | 8.7  | % | 7.5  | % |

For the three and six months ended March 31, 2013, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio was 9.5% and 9.6%, respectively. For the three and six months ended March 31, 2012, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio was 9.6% and 9.4%, respectively. As of March 31, 2013, 88.5% and 88.3% of our 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, 2012, 84.4% and 83.7% of our portfolio at fair value and at cost, respectively, had interest rate floors that limited minimum interest rates on such loans.

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

**Internal Performance Rating  
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.

Our internal performance ratings do not constitute any rating of investments by a nationally recognized statistical rating organization or represent or reflect any third-party assessment of any of our investments.

The following table shows the distribution of our investments on the 1 to 5 internal performance rating scale at fair value as of March 31, 2013 and September 30, 2012.

| Internal Performance Rating | March 31, 2013                           |                                 | September 30, 2012                       |                                 |
|-----------------------------|--|---------------------------------|--|---------------------------------|
|                             | Investments at Fair Value (In thousands) | Percentage of Total Investments | Investments at Fair Value (In thousands) | Percentage of Total Investments |
| 5                           | \$136,918                                | 17.4                            | \$145,414                                | 21.6                            |
| 4                           | 614,776                                  | 78.0                            | 468,182                                  | 69.6                            |
| 3                           | 30,145                                   | 3.8                             | 55,149                                   | 8.2                             |

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|       |           |       |             |       |   |
|-------|-----------|-------|-------------|-------|---|
| 2     | 5,681     | 0.7   | 340         | 0.1   |   |
| 1     | 922       | 0.1   | 3,825       | 0.5   |   |
| Total | \$788,442 | 100.0 | % \$672,910 | 100.0 | % |

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

A summary of our significant contractual payment obligations as of March 31, 2013 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                 | \$203.0                              | \$-              | \$ -      | \$ -          | \$203.0               |
| SBA debentures                      | 135.0                                | -                | -         | -             | 135.0                 |
| Credit Facility                     | 47.7                                 | -                | -         | 47.7          | -                     |
| Unfunded commitments <sup>(2)</sup> | 59.8                                 | 59.8             | -         | -             | -                     |
| Total contractual obligations       | \$445.5                              | \$59.8           | \$ -      | \$ 47.7       | \$338.0               |

(1) The notes offered in the Debt Securitization are scheduled to mature on July 20, 2023. The SBA debentures are scheduled to mature between March 2021 and March 2023. The Credit Facility is scheduled to mature on October 20, 2017.

(2) Unfunded commitments represent all amounts unfunded as of March 31, 2013. 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 March 31, 2013.

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 March 31, 2013 and September 30, 2012, we had outstanding commitments to fund investments totaling \$59.8 million and \$56.5 million, respectively.

We have certain contracts under which we have material future commitments. We have entered into the Investment Advisory Agreement with GC Advisors in accordance with the 1940 Act. The Investment Advisory Agreement became effective upon the pricing of our initial public offering and was amended and restated on July 16, 2010 in order to offset fees payable in connection with the Debt Securitization against the base management fee. Under the Investment Advisory Agreement, GC Advisors provides us with investment advisory and management services. 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 Company, LLC as our administrator on April 14, 2010. Effective February 5, 2013, we consented to the assignment by GC Service Company, LLC of the Administration Agreement to Golub Capital LLC, following which Golub Capital LLC serves as our administrator. Under the Administration Agreement, the Administrator 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 the Administrator 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. The Administrator 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.

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 have entered into the 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.

The Administrator 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 a staffing agreement, or Staffing Agreement, between Golub Capital and GC Advisors, Golub Capital has agreed to provide GC Advisors with the resources necessary to fulfill its obligations under the Investment Advisory Agreement. The Staffing Agreement provides that Golub Capital will make available to GC Advisors experienced investment professionals and access to the senior investment personnel of Golub Capital for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. The Staffing Agreement also includes a commitment that the members of GC Advisors’ investment committee will serve in such capacity. Services under the Staffing Agreement are provided on a direct cost reimbursement basis.

In our common stock offerings that closed on February 3, 2012, October 19, 2012 and January 18, 2013, 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, \$3.0 million of shares and \$1.0 million of shares, respectively, at each respective public offering price per share. In addition, in the offering that closed on February 3, 2012, 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. In our common stock offering that closed on October 19, 2012, Mr. William M. Webster IV purchased 10,000 shares at the public offering price per share.

GC Advisors irrevocably waived \$0.6 million of the incentive fee payable by us to GC Advisors for the three months ended December 31, 2011, representing the difference between (1) the incentive fee attributable to the TRS if the spread between the interest received on the reference assets underlying the TRS and the interest paid to Citibank on the settled notional value of the TRS were to be treated as part of the income component of the incentive fee and (2) the incentive fee attributable to the TRS if such interest spread were to be treated as part of the capital gains component of such incentive fee.

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

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

### **Critical Accounting Policies**

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

### ***Valuation of Investments***

We value investments for which market quotations are readily available at their market quotations. However, a readily available market value is not expected to exist for many of the investments in our portfolio, and we value these portfolio investments at fair value as determined in good faith by our board 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 or investment being initially valued by the investment professionals of GC Advisors responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and GC Advisors.
  - The audit committee of our board of directors reviews these preliminary valuations.
- At least once annually, the valuation for each portfolio investment is reviewed by an independent valuation firm.
- Our 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 not verifiable by auditing procedures. 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 investments during the six months ended March 31, 2013 and 2012.

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 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.

When valuing Level 3 debt and equity investments, we may take into account the following factors, where relevant, in determining the fair value of the investments: the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, 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 and borrowings 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 and borrowings 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 interest 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 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 recorded 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 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 was included on the consolidated statements of operations as net realized gain (loss) on derivative instruments.

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 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 \$2.4 million and \$3.2 million as of March 31, 2013 and September 30, 2012, 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.

**Item 3: 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 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 financing arrangements into which we enter in the future may have floating interest rate provisions.

Assuming that the consolidated statement of financial condition as of March 31, 2013 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 | (decrease) (increase) in interest expense | Net increase (decrease) in investment income |
|--------------------------|--|---|--|
|                          | (in thousands)                         |   |  |
| Down 25 basis points     | \$(35 )                                | \$ (627 )                                 | \$ 592                                       |
| Up 100 basis points      | 309                                    | 2,507                                     | (2,198 )                                     |
| Up 200 basis points      | 6,517                                  | 5,014                                     | 1,503  |
| Up 300 basis points      | 13,431                                 | 7,521                                     | 5,910  |

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 the Credit Facility 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 4: Controls and Procedures.**

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

**Part II – Other Information**

**Item 1: Legal Proceedings.**

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

**Item 1A: Risk Factors.**

None.

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

None.

**Item 3: Defaults Upon Senior Securities.**

None.

**Item 4: Mine Safety Disclosures.**

None.

**Item 5: Other Information.**

None.

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**Item 6: Exhibits.**

**EXHIBIT INDEX**

**Number Description**

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

\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Golub Capital BDC, Inc.

Dated: May 3, 2013 By /s/ David B. Golub  
David B. Golub  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 3, 2013 By /s/ Ross A. Teune  
Ross A. Teune  
Chief Financial Officer  
(Principal Accounting and Financial Officer)