

Golub Capital BDC, Inc.  
Form 497  
October 16, 2012

Filed Pursuant to Rule 497  
File No. 333-174756

PROSPECTUS SUPPLEMENT  
(to Prospectus dated January 30, 2012)

**2,600,000 Shares**

**GOLUB CAPITAL BDC, INC.**

**Common Stock**  
**\$15.58 per share**

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. Our investment objective is to provide our stockholders with current income and capital appreciation through debt and minority equity investments in middle-market companies.

GC Advisors LLC serves as our investment adviser. GC Service Company, LLC serves as our administrator. GC Advisors LLC and GC Service Company, LLC are affiliated with Golub Capital (as defined herein), a leading lender to middle-market companies that had over \$6.0 billion of capital under management as of June 30, 2012.

All of the 2,600,000 shares of common stock offered by this prospectus supplement are being sold by us. Our common stock is traded on the NASDAQ Global Select Market under the symbol GBDC. Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, has agreed to purchase an aggregate of \$3.0 million of shares in this offering at the public offering price per share. In addition, Mr. William M. Webster IV, one of our directors, has agreed to purchase 10,000 shares in this offering at the public offering price per share. The last reported closing price for our common stock on October 15, 2012 was \$15.90 per share. The net asset value of our common stock on June 30, 2012 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was \$14.58 per share. Net asset value as of September 30, 2012 is estimated to be between \$14.58 and \$14.61 per share. The offering price per share of our common stock less any underwriting commissions or discounts will not be less than the net asset value per share of our common stock at the time we make this offering.

**Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering. Investing in our common stock involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in our common stock, including the risk of leverage, in Risk Factors on page S-15 of this prospectus supplement and beginning on page 14 of the accompanying prospectus.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our common stock. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange

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Commission, or the SEC. This information is available free of charge by contacting us at 150 South Wacker Drive, Suite 800, Chicago, Illinois 60606, Attention: Investor Relations, or by calling us collect at (312) 205-5050. The SEC also maintains a website at <http://www.sec.gov> that contains such information.

**None of the SEC, any state securities commission or any regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Public offering price	\$15.58	\$40,508,000
Sales load (underwriting discounts and commissions)	\$0.47	\$1,222,000
Proceeds to us (before expenses)	\$15.11	\$39,286,000

In addition, the underwriters may purchase up to an additional 390,000 shares of common stock at the public offering price, less the sales load payable by us, to cover overallocments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total sales load paid by us will be \$1,405,300, and total proceeds, before expenses, will be \$45,178,900.

The underwriters are offering the common stock as set forth in Underwriting. Delivery of the common stock will be made on or about October 19, 2012.

Wells Fargo Securities

**UBS Investment Bank**

The date of this prospectus supplement is October 16, 2012

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TABLE OF CONTENTS

## **ABOUT THIS PROSPECTUS SUPPLEMENT**

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law. We are offering to sell and seeking offers to buy, securities only in jurisdictions where offers are permitted.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement will control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the headings **Risk Factors** and **Available Information** before investing in our common stock.

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TABLE OF CONTENTS

**TABLE OF CONTENTS  
PROSPECTUS SUPPLEMENT**

	Page
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	<u>S-1</u>
<u>THE OFFERING</u>	<u>S-8</u>
<u>FEES AND EXPENSES</u>	<u>S-10</u>
<u>RISK FACTORS</u>	<u>S-15</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>S-16</u>
<u>USE OF PROCEEDS</u>	<u>S-17</u>
<u>CAPITALIZATION</u>	<u>S-18</u>
<u>PRICE RANGE OF COMMON STOCK</u>	<u>S-19</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>S-20</u>
<u>INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS</u>	<u>S-22</u>
<u>UNDERWRITING</u>	<u>S-41</u>
<u>LEGAL MATTERS</u>	<u>S-47</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>S-48</u>
<u>AVAILABLE INFORMATION</u>	<u>S-48</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>	<u>SF-1</u>

**PROSPECTUS**

	Page
PROSPECTUS SUMMARY	1
FEES AND EXPENSES	10
RISK FACTORS	14
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	42
USE OF PROCEEDS	43
DISTRIBUTIONS	44
SELECTED CONSOLIDATED FINANCIAL DATA	45
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS	47
PRICE RANGE OF COMMON STOCK	69
THE COMPANY	70
PORTFOLIO COMPANIES	81
MANAGEMENT	92
MANAGEMENT AGREEMENTS	99
RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS	108
CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS	111
DETERMINATION OF NET ASSET VALUE	114
DIVIDEND REINVESTMENT PLAN	116
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS	118
DESCRIPTION OF OUR CAPITAL STOCK	125

DESCRIPTION OF OUR PREFERRED STOCK	130
DESCRIPTION OF OUR SUBSCRIPTION RIGHTS	131
DESCRIPTION OF WARRANTS	133
DESCRIPTION OF OUR DEBT SECURITIES	135
REGULATION	146
CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR	153
BROKERAGE ALLOCATION AND OTHER PRACTICES	153
PLAN OF DISTRIBUTION	154
LEGAL MATTERS	156
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	156
AVAILABLE INFORMATION	156
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

i

---

TABLE OF CONTENTS

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and the accompanying prospectus carefully.*

*Except as otherwise indicated, the terms:*

*we, us, our and Golub Capital BDC refer to Golub Capital BDC, Inc., a Delaware corporation, and its consolidated subsidiaries, including the Securitization Issuer and Holdings, and, for the periods prior to consummation of the BDC Conversion (as defined below), Golub Capital BDC LLC, a Delaware limited liability company, and its consolidated subsidiaries;*

*Holdings refers to Golub Capital BDC 2010-1 Holdings LLC, our direct subsidiary, Securitization Issuer refers to Golub Capital BDC 2010-1 LLC, our indirect subsidiary, and Debt Securitization refers to the \$300 million term debt securitization that we completed on July 16, 2010;*

*GC Advisors refers to GC Advisors LLC, our investment adviser;*

*GC Service refers to GC Service Company, LLC, an affiliate of GC Advisors and our administrator; and Golub Capital refers, collectively, to the activities and operations of Golub Capital Incorporated and Golub Capital LLC (formerly Golub Capital Management LLC), which entities employ all of Golub Capital's investment professionals, as well as GC Advisors, GC Service, associated investment funds and their respective affiliates.*

*On April 13, 2010, we converted from a limited liability company into a corporation. In this conversion, Golub Capital BDC, Inc. succeeded to the business of Golub Capital BDC LLC and its consolidated subsidiary, and the members of Golub Capital BDC LLC became stockholders of Golub Capital BDC, Inc. In this prospectus, we refer to such transactions as the BDC Conversion. Prior to the BDC Conversion, Golub Capital BDC LLC held all of the outstanding limited liability company interests in our predecessor, Golub Capital Master Funding LLC, or GCMF.*

## Golub Capital BDC

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 regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. We were formed in November 2009 to continue and expand the business of our predecessor, GCMF, which commenced operations in July 2007, to make investments in senior secured, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), mezzanine (a loan that ranks senior only to a borrower's equity securities and ranks junior to all of such borrower's other indebtedness in priority of payment), second lien loans and equity securities of middle-market companies that are, in most cases, sponsored by private equity firms. In this prospectus, the term middle-market generally refers to companies having earnings before interest, taxes, depreciation and amortization, or EBITDA, of between \$5 million and \$50 million annually.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$6.0 billion of capital under management as of June 30, 2012, (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.

S-1

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## TABLE OF CONTENTS

As of June 30, 2012, our portfolio at fair value was comprised of 40.7% senior secured loans, 37.2% one stop loans, 7.6% second lien loans, 11.7% mezzanine loans and 2.8% equity securities.

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

## **Our Adviser**

Our investment activities are managed by our investment adviser, GC Advisors. GC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. GC Advisors was organized in September 2008 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. Under our amended and restated investment advisory agreement with GC Advisors, or the Investment Advisory Agreement, we pay GC Advisors a base management fee and an incentive fee for its services. See **Management Agreements Management Fee** in the accompanying prospectus for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to GC Advisors. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average-adjusted gross assets (including 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, therefore, GC Advisors benefits when we incur debt or use leverage. 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 definition under U.S. Generally Accepted Accounting Principles, or GAAP, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). Additionally, under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because it determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See **Management Agreements Board Approval of the Investment Advisory Agreement** in the accompanying prospectus.

GC Advisors is an affiliate of Golub Capital and has entered into a staffing agreement, or the Staffing Agreement, with two Golub Capital affiliates, Golub Capital Incorporated and Golub Capital LLC (formerly Golub Capital Management LLC). Under the Staffing Agreement, these companies make experienced investment professionals available to GC Advisors and provide access to the senior investment personnel of Golub Capital and its affiliates. The Staffing Agreement provides GC Advisors with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by Golub Capital and its affiliates in the ordinary course of their businesses and commits the members of GC Advisors investment committee to serve in that capacity. As our investment adviser, GC Advisors is obligated to allocate investment opportunities among us and its other clients fairly and equitably over time in accordance with its allocation policy. See **Related Party Transactions and Certain Relationships** in the



accompanying prospectus. However, there can be no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. GC Advisors seeks to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of Golub Capital's investment professionals.

S-2

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## TABLE OF CONTENTS

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

## **About Golub Capital**

Golub Capital, founded in 1994, is a leading lender to middle-market companies with a long track record of investing in one stop and junior capital financings, which is our long-term investment focus. Golub Capital invested more than \$3.2 billion in one stop and mezzanine transactions across a variety of market environments and industries between 2001 and June 30, 2012. From 2005 through June 30, 2012, Golub Capital invested in more than 270 middle-market companies.

Golub Capital's middle-market lending group is managed by a four-member senior management team consisting of Lawrence E. Golub, David B. Golub, Andrew H. Steurman and Gregory W. Cashman. As of June 30, 2012, Golub Capital's 56 investment professionals had an average of over 11 years of investment experience and were supported by 82 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

## **Market Opportunity**

We intend to pursue an investment strategy focused on investing in senior secured, one stop, mezzanine and second lien loans of, and warrants and minority equity securities in, U.S. middle-market companies.

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

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

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

*Pricing and Deal Structures.* We believe that as a result of current macroeconomic issues such as the downgrade of U.S. debt, a weakened U.S. economy and the European sovereign debt crisis, there has been reduced access to, and availability of, debt capital to middle-market companies, which has resulted in attractive pricing and deal structures. We believe these market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

## Competitive Strengths

*Deep, Experienced Management Team.* We are managed by GC Advisors, which has access through the Staffing Agreement to the resources and expertise of Golub Capital's 138 employees, led by our chairman, Lawrence E. Golub, and our chief executive officer, David B. Golub. As of June 30, 2012, the 56 investment professionals of Golub Capital had an average of over 11 years of investment experience and were supported by 82 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. Golub Capital seeks to hire and retain high-quality investment professionals and reward those personnel based on investor returns. In 2012, Golub Capital was awarded The Association for Corporate Growth (ACG) New York Champion's Award for Senior Lender Firm of the Year. This award does not constitute an endorsement by any such organization of the securities being offered by this prospectus supplement.

S-3

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## TABLE OF CONTENTS

*Leading U.S. Debt Platform Provides Access to Proprietary Relationship-Based Deal Flow.* GC Advisors gives us access to the deal flow of Golub Capital, one of the leading middle-market lenders in the United States. Golub Capital has been ranked a Top 3 Traditional Middle Market Bookrunner every year from 2008 through the second calendar quarter of 2012 by Thomson Reuters LPC for senior secured loans of up to \$100 million for leveraged buyouts (based on number of deals completed). Since its inception, Golub Capital has closed deals with over 150 middle-market sponsors and repeat transactions with over 90 sponsors. We believe that Golub Capital receives relationship-based early looks and last looks at many investment opportunities in the U.S. middle-market market, allowing it to be highly selective in the transactions it pursues.

*Disciplined Investment and Underwriting Process.* GC Advisors utilizes the established investment process of Golub Capital for reviewing lending opportunities, structuring transactions and monitoring investments. Using its disciplined approach to lending, GC Advisors seeks to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and the implementation of restrictive debt covenants.

*Regimented Credit Monitoring.* Following each investment, GC Advisors implements a regimented credit monitoring system. This careful approach, which involves ongoing review and analysis by teams of professionals, has enabled us to identify problems early and to assist borrowers before they face difficult liquidity constraints.

*Concentrated Middle-Market Focus.* Because of our focus on the middle-market, we understand the following general characteristics of middle-market lending:

middle-market companies are generally less leveraged than large companies and, we believe, offer more attractive investment returns in the form of upfront fees, prepayment penalties and higher interest rates;

middle-market issuers are more likely to have simple capital structures;

carefully structured covenant packages enable middle-market lenders to take early action to remediate poor financial performance; and

middle-market lenders can undertake thorough due diligence investigations prior to investment.

## **Recent Developments**

Set forth below are certain preliminary estimates of our financial condition and results of operations for the three months and fiscal year ended September 30, 2012. These estimates are subject to the completion of our financial closing procedures and are not a comprehensive statement of our financial results for the three months and fiscal year ended September 30, 2012. Our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the three months and fiscal year ended September 30, 2012 are finalized.

Net investment income is estimated to have totaled between \$0.29 and \$0.31 per share for the three months ended September 30, 2012. Net income per share is estimated to have totaled between \$0.32 and \$0.35 per share for the three months ended September 30, 2012.

Net asset value as of September 30, 2012 is estimated to be between \$14.58 and \$14.61 per share.

We originated approximately \$113.4 million in new middle-market investment commitments during the three months ended September 30, 2012. Approximately 63% of the new investment commitments were one stop loans, 34% were senior secured loans and 3% were equity securities. Of the new investment commitments, approximately \$101.9 million have been funded. Overall, total investments in portfolio companies at fair value increased by approximately \$36.3 million during the three months ended September 30, 2012 after factoring in debt repayments and sale of an

equity security.

We intend to announce final results of operations for the fiscal year ended September 30, 2012 on November 29, 2012. We plan to host an earnings conference call on November 29, 2012 to discuss the financial results.

S-4

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## TABLE OF CONTENTS

The preliminary financial data included herein have been prepared by, and is the responsibility of, management. McGladrey LLP (formerly McGladrey & Pullen, LLP), our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to these preliminary estimates. Accordingly, McGladrey LLP does not express an opinion or any other form of assurance with respect thereto. See Risk Factors There are material limitations with making preliminary estimates of our financial results for the fiscal year ended September 30, 2012 prior to the completion of our and our auditors financial review procedures for such period.

## **Operating and Regulatory Structure**

Our investment activities are managed by GC Advisors and supervised by our board of directors, a majority of whom are independent of us, GC Advisors and its affiliates.

As a business development company, we are required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of shares of preferred stock, or notes and other borrowings, our ability to use leverage is limited in significant respects. See Regulation in the accompanying prospectus. Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. Our board of directors determines our leverage policy, including approving in advance the occurrence of material indebtedness and the execution of material contracts, and directs GC Advisors to implement such policies. GC Advisors makes recommendations to our board of directors with respect to such policies. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest that could affect our investment returns, Risk Factors Risks Relating to our Business and Structure Our management and incentive fee structure may create incentives for GC Advisors that are not fully aligned with the interests of our stockholders, Risk Factors Risks Relating to our Business and Structure Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital exposes us to risks, including the typical risks associated with leverage and Risk Factors Risks Relating to our Business and Structure We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us in the accompanying prospectus.

Also, as a business development company, we are generally prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt investments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (1) private domestic operating companies, (2) public domestic operating companies whose securities are not listed on a national securities exchange (e.g., the New York Stock Exchange, NYSE Amex Equities and The NASDAQ Stock Market) or registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and (3) public domestic operating companies having a market capitalization of less than \$250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies. See Regulation in the accompanying prospectus.

## **Conflicts of Interest**

Subject to certain 1940 Act restrictions on co-investments with affiliates, GC Advisors offers us the right to participate in all investment opportunities that it determines are appropriate for us in view of our investment objective,

positions, policies, strategies and restrictions as well as regulatory requirements and other relevant factors. Such offers are subject to the exception that, in accordance with GC Advisors' code of ethics and allocation policies, we might not participate in each individual opportunity but will, on an overall basis, be entitled to participate equitably with other entities sponsored or managed by GC Advisors and its affiliates.

To the extent that we compete with entities sponsored or managed by GC Advisors or its affiliates for a particular investment opportunity, GC Advisors will allocate investment opportunities across the entities for

S-5

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TABLE OF CONTENTS

which such opportunities are appropriate, consistent with (1) its internal conflict of interest and allocation policies, (2) the requirements of the Advisers Act and (3) certain restrictions under the 1940 Act regarding co-investments with affiliates. GC Advisors' allocation policies are intended to ensure that, over time, we may generally share equitably in investment opportunities with other investment funds, accounts or other investment vehicles, together referred to as accounts, sponsored or managed by GC Advisors or its affiliates, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer which may be suitable for us and such other accounts.

GC Advisors and its affiliates have other clients with similar or competing investment objectives, including several private funds that are pursuing an investment strategy similar to ours, some of which are continuing to seek new capital commitments. In serving these clients, GC Advisors may have obligations to other clients or investors in those entities. Our investment objective may overlap with such affiliated accounts. GC Advisors' allocation procedures are designed to allocate investment opportunities among the accounts sponsored or managed by GC Advisors and its affiliates in a manner that is fair and equitable over time and consistent with its obligations under the Advisers Act and its allocation procedures. GC Advisors has put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act. See Risk Factors Risks Relating to our Business and Structure Conflicts related to obligations GC Advisors' investment committee, GC Advisors or its affiliates have to other clients in the accompanying prospectus.

GC Advisors seeks to ensure the equitable allocation of investment opportunities when we are able to invest alongside other accounts sponsored or managed by GC Advisors and its affiliates. When we invest alongside such other accounts, such investments are made consistent with GC Advisors' allocation policy. Under this allocation policy, GC Advisors will determine separately the amount of any proposed investment to be made by us and similar eligible accounts. We expect that these determinations will be made similarly for other accounts sponsored or managed by GC Advisors and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account's proposed investment, the opportunity will be allocated in accordance with GC Advisor's pre-transaction determination. Where there is an insufficient amount of an investment opportunity to fully satisfy us and other accounts sponsored or managed by GC Advisors or its affiliates, the allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. In situations in which co-investment with other entities sponsored or managed by GC Advisors or its affiliates is not permitted or appropriate, such as when, in the absence of exemptive relief described below, we and such other entities would be making different investments in the same issuer, GC Advisors will need to decide whether we or such other entity or entities will proceed with the investment. GC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on a basis that will be fair and equitable over time, including, for example, through random or rotational methods. We and GC Advisors have submitted an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by GC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. See Related Party Transactions and Certain Relationships in the accompanying prospectus.

Additionally, under our incentive fee structure, GC Advisors benefits when we recognize capital gains and, because GC Advisors determines when a holding is sold, GC Advisors controls the timing of the recognition of such capital gains. See Risk Factors Risks Relating to our Business and Structure Our management and incentive fee structure may create incentives for GC Advisors that are not fully aligned with the interests of our stockholders in the accompanying prospectus. In addition, because the base management fee that we pay to GC Advisors is based on our average adjusted gross assets, including those assets acquired through the use of leverage, GC Advisors has a financial



incentive to incur leverage.

## **Management**

Our audit committee met four times and our nominating and corporate governance committee met three times during the fiscal year ended September 30, 2011.

S-6

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TABLE OF CONTENTS

## **Updates to Biographical Information of Independent Directors**

In May 2012, Ms. Anita R. Rosenberg's role as an independent advisor to Magnetar Capital concluded. Also, in May 2012, Mr. William M. Webster IV resigned from his role as chairman of Advance America, Advance Cash Centers, Inc. concurrent with the company's sale.

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Our principal executive offices are located at 150 South Wacker Drive, Suite 800, Chicago, Illinois 60606, and our telephone number is (312) 205-5050. Our corporate website is located at [www.golubcapitalbdc.com](http://www.golubcapitalbdc.com). Information on our website is not incorporated into or a part of this prospectus supplement.

S-7

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TABLE OF CONTENTS

## THE OFFERING

### **Common Stock Offered by Us**

2,600,000, excluding 390,000 shares issuable pursuant to the overallotment option granted to the underwriters.

### **Common Stock to be Outstanding after this Offering**

28,288,101, excluding shares issuable pursuant to the overallotment option granted to the underwriters.

### **Use of Proceeds**

We intend to use all or substantially all of the net proceeds from the sale of our securities to invest in portfolio companies in accordance with our investment objective and strategies and for general corporate purposes. We expect that our new investments will consist primarily of senior secured, one stop, mezzanine and second lien loans. We will also pay operating expenses, including management and administrative fees, and may pay other expenses, such as due diligence expenses related to potential new investments, from the net proceeds of any offering of our securities. We may also use a portion of the net proceeds from the sale of our common stock to repay amounts outstanding under our revolving credit facility, or the Credit Facility, which bore an interest rate of 2.50% (*i.e.*, one-month London Interbank Offered Rate, or LIBOR, plus 2.25% per annum) on the outstanding balance as of June 30, 2012 and matures on October 21, 2015. See **Use of Proceeds** in this prospectus supplement for more information.

### **NASDAQ Global Select Market Symbol**

GBDC

### **Trading at a Discount**

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. We are not generally able to issue and sell our common stock at a price below our net asset value per share unless we have stockholder approval. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See **Risk Factors** beginning on page 14 of the accompanying prospectus.

### **Risk Factors**

An investment in our common stock is subject to risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See **Risk Factors** on page S-15 of this prospectus supplement and beginning on page 14 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.

### **Dividend Reinvestment Plan**

We have adopted a dividend reinvestment plan for our stockholders, which is an opt out dividend reinvestment plan. Under this plan, if we declare a distribution, cash distributions to our stockholders are 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 receives cash dividends or other distributions. Stockholders who receive distributions in the form

S-8

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TABLE OF CONTENTS

of shares of common stock generally are subject to the same U.S. federal, state and local tax consequences as stockholders who elect to receive their distributions in cash but do not receive any corresponding cash distributions with which to pay any applicable taxes. See **Dividend Reinvestment Plan** in the accompanying prospectus.

**Custodian and Transfer Agent**

U.S. Bank National Association serves as our custodian, and American Stock Transfer & Trust Company, LLC serves as our transfer and dividend paying agent and registrar. See **Custodian, Transfer and Dividend Paying Agent and Registrar** in the accompanying prospectus.

**Taxation**

We have elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our net ordinary income and net short-term capital gains in excess of realized net long-term capital losses, if any. See **Material U.S. Federal Income Tax Considerations** in the accompanying prospectus.

S-9

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TABLE OF CONTENTS**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. Actual costs and expenses incurred by investors in shares of our common stock may be greater than the percentage estimates in the table below. The following table excludes one-time fees payable to third parties not affiliated with GC Advisors that were incurred in connection with the Debt Securitization but includes all of the applicable ongoing fees and expenses of the Debt Securitization. Whenever this prospectus supplement contains a reference to fees or expenses paid by us or Golub Capital BDC, or that we will pay fees or expenses, our common stockholders will indirectly bear such fees or expenses.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	3.02 % <sup>(1)</sup>
Offering expenses (as a percentage of offering price)	0.74 % <sup>(2)</sup>
Dividend reinvestment plan expenses	0.00 % <sup>(3)</sup>
Total stockholder transaction expenses (as a percentage of offering price)	3.76 %
Annual expenses (as a percentage of net assets attributable to common stock):	
Management fees	2.15 % <sup>(4)</sup>
Incentive fees payable under the Investment Advisory Agreement (20%)	1.86 % <sup>(5)</sup>
Interest payments on borrowed funds	2.77 % <sup>(6)</sup>
Other expenses	1.09 % <sup>(7)</sup>
Total annual expenses	7.87 % <sup>(8)</sup>

(1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately \$300,000 and is based on the 2,600,000 shares offered in this offering at the public offering price of \$15.58 per share.

(3) The expenses associated with the dividend reinvestment plan are included in Other expenses. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) Our management fee is calculated at an annual rate equal to 1.375% and is based on the average adjusted gross assets (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), at the end of the two most recently completed calendar quarters and is payable quarterly in arrears. See Management Agreements Management Fee in the accompanying prospectus. The management fee referenced in the table above is based on actual amounts incurred during the three months ended June 30, 2012 by GC Advisors in its capacity as investment adviser to us and collateral manager to the Securitization Issuer, annualized for a full year.

GC Advisors, as collateral manager for the Securitization Issuer under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the adjusted 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. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive

fee payable to GC Advisors.

For purposes of this table, the SEC requires that the Management fees percentage be calculated as a percentage of net assets attributable to common stockholders, rather than total assets, including assets that have been funded with borrowed monies because common stockholders bear all of this cost. If the base management fee portion of the Management fees percentage were calculated instead as a percentage of our total assets, our base management fee portion of the Management fees percentage would be

S-10

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TABLE OF CONTENTS

approximately 1.25% of total assets. The base management fee in the table above is based on net assets of \$374.2 million and leverage of \$329.8 million as of June 30, 2012.

The incentive fee referenced in the table above is based on actual amounts incurred during the three months ended June 30, 2012, annualized for a full year. We have structured the calculation of the incentive fee to include a fee limitation such that no incentive fee will be paid to GC Advisors for any quarter if, after such payment, the (5) cumulative incentive fees paid to GC Advisors since the effective date of our election to become a business development company would be greater than 20.0% of our Cumulative Pre-Incentive Fee Net Income (as defined below).

We accomplish this limitation by subjecting each quarterly incentive fee payable under the Income and Capital 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 GC Advisors by Golub Capital BDC since April 13, 2010, the effective date of our election to become a business development company. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, no incentive fee would be payable in that quarter. Cumulative Pre-Incentive Fee Net Income is equal to the sum of (a) Pre-Incentive Fee Net Investment Income for each period since April 13, 2010, the effective date of our election to be regulated as a business development company, 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, the effective date of our election to be regulated as a business development company.

Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the calendar quarter (including the base management fee, taxes, any expenses payable under the Investment Advisory Agreement and an administration agreement (the Administration Agreement ) with GC Service, 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 payment-in-kind ( PIK ) interest, preferred stock with PIK dividends and zero coupon securities, accrued income that we have not yet received in cash.

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

From the first quarter of fiscal year 2012 until termination of the total return swap (the TRS ) (which termination is more fully described below), for purposes of the computation of the incentive fee, we: (1) treated the interest spread between the interest received on the reference assets underlying the TRS and the interest paid to Citibank, N.A. ( Citibank ) on the settled notional value of the TRS as part of the income component of the incentive fee; and (2) 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 gains component of the incentive fee.

For the three and nine months ended June 30, 2012, we received interest spread payments from the TRS of \$1.0 million and \$2.6 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, GC Advisors irrevocably waived the incremental portion of the incentive fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the three months ended June 30, 2012,

the incentive fee was \$1.9 million. For the nine months ended June 30, 2012, after taking into account the waiver by GC Advisors, the incentive fee was \$4.3 million, rather than \$4.9 million.

Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the income component, it is possible that an incentive fee may be calculated under this formula with respect to a period in which we have incurred a loss. For example, if we receive Pre-Incentive Fee Net Investment Income in excess of the hurdle rate (as defined below) for a calendar quarter, the income component will

S-11

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TABLE OF CONTENTS

result in a positive value and an incentive fee will be paid unless the payment of such incentive fee would cause us to pay incentive fees on a cumulative basis that exceed 20.0% of our Cumulative Pre-Incentive Fee Net Income.

Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 2.0% quarterly. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our Pre-Incentive Fee Net Investment Income and make it easier for GC Advisors to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. Our Pre-Incentive Fee Net Investment Income used to calculate this part of the incentive fee is also included in the amount of our total assets (excluding cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian) used to calculate the 1.375% base management fee.

We calculate the income component of the Income and Capital Gain Incentive Fee Calculation with respect to our Pre-Incentive Fee Net Investment Income quarterly, in arrears, as follows:

zero in any calendar quarter in which the Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate; 100.0% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.5% in any calendar quarter. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than 2.5%) as the catch-up provision. The catch-up is meant to provide GC Advisors with 20.0% of the Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and 20.0% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.5% in any calendar quarter.

The sum of these calculations yields the income incentive fee. This amount is appropriately adjusted for any share issuances or repurchases during the quarter.

The second part of the Income and Capital Gain Incentive Fee Calculation (the Capital Gain Incentive Fee ) equals (a) 20.0% of our Capital Gain Incentive Fee Base (as defined below), if any, calculated in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), commencing with the calendar year ending December 31, 2010, less (b) the aggregate amount of any previously paid Capital Gain Incentive Fees. Our Capital Gain Incentive Fee Base equals the sum of (1) our realized capital gains, if any, on a cumulative positive basis from April 13, 2010, the effective date of our election to become a business development company, 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 our portfolio when sold is less than (b) the accreted or amortized cost base of such investment.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gain Incentive Fee calculation date and (b) the accreted or amortized cost basis of such investment.

As described above, the incentive fee will not be paid at any time where after such payment the cumulative incentive fees paid to date would be greater than 20.0% of the Cumulative Pre-Incentive Net Income since April 13, 2010. We will accrue the Capital Gain Incentive Fee if, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) is positive. The Capital

S-12

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TABLE OF CONTENTS

Gain Incentive Fee is calculated on a cumulative basis from the date we elected to become a business development company through the end of each calendar year. For the year ended September 30, 2011 and the three and nine months ended June 30, 2012, the Capital Gain Incentive Fee was zero. For a more detailed discussion of the calculation of the incentive fee, see Management Agreements Management Fee in the accompanying prospectus.

(6) Interest payments on borrowed funds represents our annualized interest expense as of June 30, 2012 and includes interest payable on the notes issued by the Securitization Issuer. For the three and nine months ended June 30, 2012, the effective annualized average interest rate, which includes all interest and amortization of debt issuance costs on the Debt Securitization, was 3.6% and 3.5%, respectively. Debt issuance costs represent fees and other direct incremental costs incurred in connection with the Debt Securitization. These fees include a \$1.74 million one-time structuring and placement fee paid to Wells Fargo Securities, LLC as well as legal fees, accounting fees, rating agency fees and all other costs associated with the Debt Securitization. We do not currently anticipate issuing debt securities or preferred stock in the next 12 months.

There were no commitment fees or minimum usage fees payable under the TRS. The interest expense payable under the TRS has not been included under the Interest payments on borrowed funds line item because the amounts subject to the TRS are not treated as our debt obligations but instead are reflected on our balance sheet as part of the value of the TRS. If the Interest payments on borrowed funds line item were calculated with inclusion of the \$854,001 of interest expense (representing interest expense on the TRS from the beginning of our fiscal year through termination of the TRS on April 11, 2012), it would have been 2.98%.

(7) Includes our overhead expenses, including payments under the Administration Agreement, based on our allocable portion of overhead and other expenses incurred by GC Service and any acquired fund fees and expenses that are not required to be disclosed separately. See Management Agreements Administration Agreement in the accompanying prospectus. Other expenses are based on actual amounts incurred during the three months ended June 30, 2012, annualized for a full year. Other expenses also includes the ongoing administrative expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports and providing required services in connection with the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap.

(8) All of our expenses, including all expenses of the Debt Securitization, are disclosed in the appropriate line items under Annual Expenses (as a percentage of net assets attributable to common stock). Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies. The reason for presenting expenses as a percentage of net assets attributable to common stockholders is that our common stockholders bear all of our fees and expenses.

S-13

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TABLE OF CONTENTS**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. **This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.** These amounts assume (1) a 3.02% sales load (underwriting discounts and commissions), (2) offering expenses totaling 0.74% and (3) total net annual expenses of 6.01% of net assets attributable to common shares as set forth in the table above (other than performance-based incentive fees). For purposes of this table, we have assumed leverage of \$329.8 million, which was our actual leverage as of June 30, 2012.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 95	\$ 210	\$ 321	\$ 591

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5% annual return, would either not be payable or have an immaterial impact on the expense amounts shown above, is not included in the example. Under our Investment Advisory Agreement, no incentive fee would be payable if we have a 5% annual return. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher.

The example assumes that all dividends and other distributions are reinvested at net asset value. Under certain circumstances, reinvestment of dividends and other distributions under our dividend reinvestment plan may occur at a price per share that differs from net asset value. See [Dividend Reinvestment Plan](#) in the accompanying prospectus for more information.

TABLE OF CONTENTS

## **RISK FACTORS**

**There are material limitations with making preliminary estimates of our financial results for the three months and fiscal year ended September 30, 2012 prior to the completion of our and our auditors financial review procedures for such period.**

The preliminary financial estimates contained in Prospectus Supplement Summary Recent Developments are not a comprehensive statement of our financial results for the three months and fiscal year ended September 30, 2012, and have not been audited by our independent registered public accounting firm. Our consolidated financial statements for the fiscal year ended September 30, 2012 will not be available until after this offering is completed and, consequently, will not be available to you prior to investing in this offering. Our actual financial results for the fiscal year ended September 30, 2012 may differ materially from the preliminary financial estimates we have provided as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the fiscal year ended September 30, 2012 are finalized. The preliminary financial data included herein have been prepared by, and are the responsibility of, management. McGladrey LLP, our independent registered public accounting firm, has not audited, reviewed, compiled or performed any procedures with respect to such preliminary estimates. Accordingly, McGladrey LLP does not express an opinion or any other form of assurance with respect thereto.

S-15

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TABLE OF CONTENTS

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements in this prospectus supplement and the accompanying prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus involve risks and uncertainties, including statements as to:

our future operating results;  
our business prospects and the prospects of our portfolio companies;  
preliminary estimates of our financial condition and results of operations for the three months and fiscal year ended September 30, 2012;  
the effect of investments that we expect to make;  
our contractual arrangements and relationships with third parties;  
actual and potential conflicts of interest with GC Advisors and other affiliates of Golub Capital;  
the dependence of our future success on the general economy and its effect on the industries in which we invest;  
the ability of our portfolio companies to achieve their objectives;  
the use of borrowed money to finance a portion of our investments;  
the adequacy of our financing sources and working capital;  
the timing of cash flows, if any, from the operations of our portfolio companies;  
the ability of GC Advisors to locate suitable investments for us and to monitor and administer our investments;  
the ability of GC Advisors or its affiliates to attract and retain highly talented professionals;  
our ability to qualify and maintain our qualification as a RIC and as a business development company;  
the impact on our business of 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 or similar words. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as Risk Factors in this prospectus supplement and the accompanying prospectus and elsewhere in this prospectus supplement and the accompanying prospectus.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements, and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, 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, or the Securities Act, and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this

prospectus supplement, the accompanying prospectus or in periodic reports we file under the Exchange Act.

S-16

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TABLE OF CONTENTS

## USE OF PROCEEDS

We estimate that net proceeds we will receive from the sale of 2,600,000 shares of our common stock in this offering will be approximately \$39.0 million (or approximately \$44.9 million if the underwriters fully exercise their over-allotment option), in each case based on a public offering price of \$15.58 per share, after deducting the underwriting discounts and commissions payable by us and estimated offering expenses of approximately \$300,000 payable by us.

We intend to use all or substantially all of the net proceeds from the sale of our common stock to invest in portfolio companies in accordance with our investment objective and strategies and for general corporate purposes. We expect that our new investments will consist primarily of senior secured, one stop, mezzanine and second lien loans. We will also pay operating expenses, including management and administrative fees, and may pay other expenses, such as due diligence expenses relating to potential new investments, from the net proceeds of any offering of our securities. We may also use a portion of the net proceeds from the sale of our common stock to repay amounts outstanding under our Credit Facility, which bore an interest rate of 2.50% (*i.e.*, one-month LIBOR plus 2.25% per annum) on the outstanding balance as of June 30, 2012 and matures on October 21, 2015, and Wells Fargo Securities, LLC and its affiliates may receive a part of such proceeds by reason of repayment of certain amounts outstanding under the Credit Facility.

We anticipate that we will use substantially all of the net proceeds from this offering for the above purposes within approximately six months after the completion of the offering of our securities, depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions. We cannot assure you that we will achieve our targeted investment pace.

Until such appropriate investment opportunities can be found, we will invest the net proceeds of any offering of our securities primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from this offering, pending full investment, are held in lower yielding interest-bearing deposits or other short-term instruments. See Regulation Temporary Investments in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

S-17

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TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth:

our actual capitalization as of June 30, 2012; and;  
our pro forma capitalization to give effect to (i) the sale of 2,600,000 shares of common stock in this offering based on the public offering price of \$15.58 per share, after deducting the underwriting discounts and commissions payable by us and estimated offering expenses of approximately \$300,000 payable by us and (ii) the issuance of 25,092 shares under our dividend reinvestment program on September 27, 2012.

	As of June 30, 2012	
	Actual	Pro Forma
	(dollars in thousands)	
Assets:		
Cash and cash equivalents	\$63,129	\$102,115
Investment at fair value	636,632	636,632
Other assets	11,761	11,761
Total assets	711,522	750,508
Liabilities:		
Debt	329,800	329,800
Other liabilities	7,511	7,511
Total liabilities	337,311	337,311
Net assets:		
Common stock, par value \$0.001 per share; 100,000,000 shares authorized, 25,663,009 shares issued and outstanding; 28,288,101 shares issued and outstanding, pro forma	26	29
Paid in capital in excess of par	376,292	415,275
Capital distributions in excess of net investment income	(3,660 )	(3,660 )
Net unrealized (depreciation) appreciation on investments and derivative instruments	4,197	4,197
Net realized gains (losses) on investments and derivative instruments	(2,644 )	(2,644 )
Total stockholders' equity	374,211	413,197
Net asset value per common share	\$14.58	\$14.61

S-18

TABLE OF CONTENTS**PRICE RANGE OF COMMON STOCK**

Our common stock began trading on April 15, 2010 and is currently traded on the NASDAQ Global Select Market under the symbol GBDC. The following table lists the high and low closing sales price for our common stock, the closing sales price as a percentage of net asset value, or NAV, and quarterly distributions per share since shares of our common stock began being regularly quoted on the NASDAQ Global Select Market.

	NAV <sup>(1)</sup>	Closing Sales Price		Premium/ Discount of High Sales Price to NAV <sup>(2)</sup>	Premium/ Discount of Low Sales Price to NAV <sup>(2)</sup>	Declared Distributions <sup>(4)</sup>
		High	Low			
Fiscal year ended September 30, 2010						
Third quarter <sup>(3)</sup>	\$ 14.67	\$ 14.85	\$ 12.85	101.2%	87.6 %	\$ 0.24
Fourth quarter	\$ 14.71	\$ 15.30	\$ 13.83	104.0%	94.0 %	\$ 0.31
Fiscal year ended September 30, 2011						
First quarter	\$ 14.74	\$ 17.95	\$ 15.44	121.8%	104.7%	\$ 0.31
Second quarter	\$ 14.75	\$ 17.60	\$ 15.78	119.3%	107.0%	\$ 0.32
Third quarter	\$ 14.75	\$ 16.30	\$ 14.40	110.5%	97.6 %	\$ 0.32
Fourth quarter	\$ 14.56	\$ 15.81	\$ 14.00	108.6%	96.2 %	\$ 0.32
Fiscal year ended September 30, 2012						
First quarter	\$ 14.53	\$ 16.00	\$ 14.16	110.1%	97.5 %	\$ 0.32
Second quarter	\$ 14.69	\$ 15.95	\$ 14.57	108.6%	99.2 %	\$ 0.32
Third quarter	\$ 14.58	\$ 15.18	\$ 14.25	104.1%	97.7 %	\$ 0.32
Fourth quarter	N/A	\$ 16.00	\$ 15.05	N/A	N/A	\$ 0.32
Fiscal year ending September 30, 2013						
First quarter (through October 12, 2012)	N/A	\$ 16.32	\$ 15.84	N/A	N/A	N/A

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

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

(3) From April 15, 2010 (initial public offering) to June 30, 2010.

(4) Includes a return of capital for U.S. federal income tax purposes of approximately \$0.06 per share for the fiscal year ended September 30, 2010.

Shares of business development companies may trade at a market price that is less than the NAV that is attributable to those shares. Our shares traded on the NASDAQ Global Select Market at \$15.09 as of June 30, 2012. Our NAV was \$14.58 as of June 30, 2012. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV will decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the future.

On October 12, 2012, the last reported closing price of our common stock was \$15.84 per share. Net asset value as of September 30, 2012 is estimated to be between \$14.58 and \$14.61 per share. On August 2, 2012, our board of

directors declared a quarterly distribution of \$0.32 per share payable on September 27, 2012 to holders of record as of September 13, 2012. As of October 12, 2012 we had 188 stockholders of record.

S-19

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TABLE OF CONTENTS**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data of Golub Capital BDC as of and for the fiscal years ended September 30, 2011, 2010, 2009, 2008 and for the period from July 27, 2007 (inception) through September 30, 2007 is derived from our consolidated financial statements that have been audited by McGladrey LLP (formerly McGladrey & Pullen, LLP), independent auditors. Golub Capital BDC's consolidated financial statements for the nine-month period ended June 30, 2012 and 2011 are unaudited. However, in the opinion of Golub Capital BDC, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been made. Interim results are subject to significant seasonal variations and are not indicative of the results of operations to be expected for a full fiscal year. For the periods prior to September 20, 2009, the financial data refers to the financial condition and results of operation of our predecessor, GCMF. This financial data should be read in conjunction with our consolidated financial statements and the notes thereto and with Interim Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows included in this prospectus supplement and Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows, which is included in the accompanying prospectus.

	Golub Capital BDC <sup>(1)</sup>				GCMF		Period
	Nine Months Ended	Nine Months Ended	Years Ended	Years Ended	Years Ended	Years Ended	from July 27 (inception) through September 30, 2007
	June 30, 2012 (unaudited)	June 30, 2011 (unaudited)	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008	
	(in thousands, except per share data)						
Statement of Operations Data:							
Total investment income	\$41,640	\$28,319	\$39,150	\$33,150	\$33,338	\$20,686	\$1,868
Base management fee	6,187	4,122	5,789	3,328	2,849	1,726	134
Incentive fee	4,261	525	348	55			
All other expenses	11,108	7,307	10,197	6,400	5,011	8,916	1,117
Net investment income	20,084	16,365	22,816	23,367	25,478	10,044	617
Net realized (loss)/gain on investments and derivative instruments	(2,786 )	1,997	2,037	(40 )	(3,972 )	(4,503 )	
Net change in unrealized appreciation/(depreciation) on investments and derivative instruments	5,716	(4 )	(3,514 )	2,921	(1,489 )	(8,957 )	(558 )
Net increase/(decrease) in net assets resulting from operations	23,014	18,358	21,339	26,248	20,017	(3,416 )	59
Per share data:							
Net asset value	\$14.58	\$14.75	\$14.56	\$14.71	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Net investment income	0.84 (0.12 )	0.86 0.11	1.16 0.11	N/A <sup>(2)</sup> N/A <sup>(2)</sup>	N/A <sup>(2)</sup> N/A <sup>(2)</sup>	N/A <sup>(2)</sup> N/A <sup>(2)</sup>	N/A <sup>(2)</sup> N/A <sup>(2)</sup>

Net realized (loss)/gain on investments and derivative instruments														
Net change in unrealized appreciation/ (depreciation) on investments and derivative instruments	0.25	0.00	(0.18 )	N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	
Net increase in net assets resulting from operations	0.97	0.97	1.09	N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	
Per share distributions declared	0.96	0.95	1.27	0.55		N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	
Dollar amount of distributions declared	23,346	18,114	25,069	9,742		N/A	(2)	N/A	(2)	N/A	(2)	N/A	(2)	
Other data:														
Weighted average annualized yield on income producing assets at fair value <sup>(3)</sup>	9.4	%	8.6	%	8.6	%	8.4	%	8.1	%	9.3	%	6.4	%
Number of portfolio companies at period end	116		99		103		94		95		60		56	

TABLE OF CONTENTS

- (1) Includes the financial information of GCMF for the period prior to our conversion to a Delaware corporation.
- (2) Per share data are not provided as we did not have shares of common stock outstanding or an equivalent prior to the initial public offering on April 14, 2010.
- Weighted average yield on income producing investments is computed by dividing (a) annualized interest income (3)(other than interest income resulting from amortization of fees and discounts) on accruing loans and debt securities by (b) total income producing investments at fair value.

	Golub Capital BDC			GCMF		September 30, 2007 (unaudited)
	Nine Months Ended June 30, 2012 (unaudited) (in thousands)	Years Ended September 30, 2011	September 30, 2010	Years Ended September 30, 2009	September 30, 2008	
Balance sheet data at period end:						
Investments, at fair value	\$ 636,632	\$ 459,827	\$ 344,869	\$ 376,294	\$ 135,476	\$ 201,147
Cash and cash equivalents	63,129	69,766	92,990	30,614	4,252	4,237
Other assets	11,761	30,051	4,904	2,214	1,213	2,819
Total assets	711,522	559,644	442,763	409,122	140,941	208,203
Total debt	329,800	237,683	174,000	315,306	123,083	173,540
Total liabilities	337,311	243,095	182,222	316,370	124,088	174,722
Total net assets	374,211	316,549	260,541	92,752	16,853	33,481

S-21

TABLE OF CONTENTS

# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

*The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with Selected Consolidated Financial Data and the financial statements and the related notes thereto of us and our predecessor, GCMF, appearing elsewhere in this prospectus supplement and the accompanying prospectus. On April 13, 2010, Golub Capital BDC LLC converted from a Delaware limited liability company into a Delaware corporation and elected to be regulated as a business development company under the 1940 Act. In this conversion, which we refer to as the BDC Conversion, Golub Capital BDC, Inc. assumed the business activities of Golub Capital BDC LLC and became the sole surviving entity. As a result of the conversion, GCMF became a wholly owned subsidiary of Golub Capital BDC, Inc. At the time of the BDC Conversion, all limited liability company interests were exchanged for 8,984,863 shares of common stock in Golub Capital BDC, Inc. Immediately prior to the BDC Conversion, the limited liability company interests were owned by investment vehicles managed by Golub Capital. For periods prior to April 13, 2010, the consolidated financial statements and related footnotes reflect the performance of Golub Capital BDC LLC and its predecessor, GCMF. The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Risk Factors in the accompanying prospectus and Special Note Regarding Forward-Looking Statements in this prospectus supplement for a discussion of the uncertainties, risks and assumptions associated with these statements.*

## Overview

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

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

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$6.0 billion in capital under management as of June 30, 2012, (2) selecting investments within our core middle-market company focus, (3) partnering with experienced private equity firms, or sponsors, in many cases with whom we have invested alongside in the past, (4) implementing the disciplined underwriting standards of Golub Capital and (5) drawing upon the aggregate experience and resources of Golub Capital.

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

Under the Investment Advisory Agreement entered into on April 14, 2010, and amended and restated on July 16, 2010, we have agreed to pay GC Advisors an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. Our board of directors reapproved the Investment Advisory Agreement on February 2, 2012. We have also entered into the Administration Agreement with GC Service, under which we have agreed to reimburse GC Service for our allocable portion (subject to the review and approval of our independent directors) of overhead and other expenses incurred by GC Service in performing its obligations under the Administration Agreement.

We seek to create a diverse portfolio that includes senior secured, one stop, mezzanine and second lien loans and warrants and minority equity securities by investing approximately \$5 to \$25 million of capital, on average, in the securities of middle-market companies. We may also selectively invest more than \$25 million

S-22

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TABLE OF CONTENTS

in some of our portfolio companies and generally expect that the size of our individual investments will vary proportionately with the size of our capital base.

As of June 30, 2012, our portfolio at fair value was comprised of 40.7% senior secured loans, 37.2% one stop loans, 7.6% second lien loans, 11.7% mezzanine loans and 2.8% equity securities. As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% one stop loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity securities.

As of June 30, 2012 and September 30, 2011, we had debt investments in 116 and 103 portfolio companies, respectively. For the three and nine months ended June 30, 2012, our income producing assets, which represented nearly 100% of our total portfolio, had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 9.3% and 9.4% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 10.0% and 10.3%, respectively. For the three and nine months ended June 30, 2011, our income producing assets, which represented nearly 100% of our total portfolio, had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 8.6% and 8.6% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 9.6% and 10.1%, 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, mezzanine or second lien loans, typically have a term of three to seven years and bear interest at a fixed or floating rate. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments fluctuates significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. In some cases, our investments provide for deferred interest payments or PIK interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums on loans as interest income. When we receive partial principal payments on a loan in an amount that exceeds its amortized cost, we record the excess principal payment as interest income. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the cost basis of the investment or derivative instrument, without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments and derivative instruments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

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

organizational expenses;  
calculating our net asset value (including the cost and expenses of any independent valuation firm);  
fees and expenses incurred by GC Advisors payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;

S-23

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TABLE OF CONTENTS

interest payable on debt, if any, incurred to finance our investments and expenses related to unsuccessful portfolio acquisition efforts;

offerings of our common stock and other securities;

investment advisory and management fees;

administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and GC Service based upon our allocable portion of GC Service's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our chief compliance officer, chief financial officer and their respective staffs);

fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with evaluating and making, investments in portfolio companies, including costs associated with meeting financial sponsors;

transfer agent, dividend agent and custodial fees and expenses;

U.S. federal and state registration 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 GC Service in connection with administering our business.

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

GC Advisors, as collateral manager for the Securitization Issuer under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee. Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term "collection period" refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the Debt Securitization. The Securitization Issuer also agreed to pay ongoing administrative

## TABLE OF CONTENTS

expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports and providing required services in connection with the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap. We believe that these administrative expenses approximate the amount of ongoing fees and expenses that we would be required to pay in connection with a traditional secured credit facility. Our common stockholders indirectly bear all of these expenses.

## **Recent Developments**

On August 2, 2012, our board of directors declared a quarterly distribution of \$0.32 per share payable on September 27, 2012 to holders of record as of September 13, 2012.

On August 2, 2012, our board of directors approved a share repurchase program which allows us to repurchase up to \$30 million of our common stock on the open market at prices below our net asset value as reported in our most recently published financial statements.

On August 6, 2012, we announced an At the Market, or ATM, program to sell up to \$50 million of shares of our common stock. An ATM offering is a registered offering by a publicly traded issuer of its listed equity securities selling shares directly into the market at market prices. We engaged Wells Fargo Securities, LLC and UBS Securities LLC as our sales agents and/or principals under the ATM program. We have not sold any shares of our common stock under the ATM program to date.

Set forth below are certain preliminary estimates of our financial condition and results of operations for the three months and fiscal year ended September 30, 2012. These estimates are subject to the completion of our financial closing procedures and are not a comprehensive statement of our financial results for the three months and fiscal year ended September 30, 2012. Our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, final adjustments and other developments arising between now and the time that our financial results for the three months and fiscal year ended September 30, 2012 are finalized.

Net investment income is estimated to have totaled between \$0.29 and \$0.31 per share for the three months ended September 30, 2012. Net income per share is estimated to have totaled between \$0.32 and \$0.35 per share for the three months ended September 30, 2012.

Net asset value as of September 30, 2012 is estimated to be between \$14.58 and \$14.61 per share.

We originated approximately \$113.4 million in new middle-market investment commitments during the three months ended September 30, 2012. Approximately 63% of the new investment commitments were one stop loans, 34% were senior secured loans and 3% were equity securities. Of the new investment commitments, approximately \$101.9 million have been funded. Overall, total investments in portfolio companies at fair value increased by approximately \$36.3 million during the three months ended September 30, 2012 after factoring in debt repayments and sale of an equity security.

We intend to announce final results of operations for the fiscal year ended September 30, 2012 on November 29, 2012. We plan to host an earnings conference call on November 29, 2012 to discuss the financial results.

Through the reinvestment period, the Credit Facility will bear interest at one-month LIBOR plus 2.25% per annum. The reinvestment period is the period from the closing date of the Credit Facility to October 20, 2012. After October 20, 2012, the rate is scheduled to reset to LIBOR plus 2.75% per annum for the remaining term of the Credit Facility.

We are in discussions to extend the reinvestment period on substantially similar economic terms as those in effect today.

S-25

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TABLE OF CONTENTS**Portfolio Composition, Investment Activity and Yield**

As of June 30, 2012 and September 30, 2011, we had investments in 116 and 103 portfolio companies, respectively, with a total value of \$636.6 million and \$459.8 million, respectively. The following table shows the asset mix of our new originations for the three and nine months ended June 30, 2012 and 2011:

For the three and nine months ended June 30, 2012, we had approximately \$34.2 million and \$114.4 million in proceeds from principal payments of portfolio companies, respectively. For the three and nine months ended June 30, 2012, we had sales of securities in zero and seven portfolio companies aggregating approximately zero and \$6.2 million, respectively.

For the three and nine months ended June 30, 2011, we had approximately \$33.5 million and \$108.9 million in debt repayments, respectively. For the three and nine months ended June 30, 2011, we had sales of securities in 19 and 37 portfolio companies aggregating approximately \$46.2 million and \$80.1 million, respectively.

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

	As of June 30, 2012 <sup>(1)</sup>			As of September 30, 2011 <sup>(1)</sup>		
	Par	Amortized Cost	Fair Value	Par	Amortized Cost	Fair Value
	(In thousands)					
Senior secured:						
Performing	\$ 258,716	\$ 254,267	\$ 255,943	\$ 203,647	\$ 201,018	\$ 200,940
Non-accrual <sup>(2)</sup>	6,862	6,856	2,808	9,078	8,711	2,891
One stop:						
Performing	237,506	233,973	236,827	178,854	176,393	177,880
Non-accrual <sup>(2)</sup>						
Second lien <sup>(3)</sup> :						
Performing	48,783	47,157	48,448	21,922	21,531	21,922
Non-accrual <sup>(2)</sup>						
Subordinated debt:						
Performing	73,022	71,848	73,179	46,804	45,888	46,804
Non-accrual <sup>(2)</sup>	2,870	2,810	1,435			
Equity	N/A	18,341	17,992	N/A	9,420	9,390
Total	\$ 627,759	\$ 635,252	\$ 636,632	\$ 460,305	\$ 462,961	\$ 459,827

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

(2) We refer to a loan as non-accrual when we cease recognizing interest income on the loan because we have stopped pursuing repayment of the loan or, in certain circumstances, it is past due 90 days or more on principal and interest or our management has reasonable doubt that principal or interest will not be collected. See Critical Accounting Policies Revenue Recognition.

S-26



TABLE OF CONTENTS

(3) Second lien loans included \$16.0 million and \$12.3 million of loans structured as first lien last out term loans as of June 30, 2012 and September 30, 2011, respectively.

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

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Weighted average rate of new investment fundings <sup>(1)(2)</sup>	8.2%	8.7 %	9.3 %	8.7 %
Weighted average spread over LIBOR of new floating rate investment fundings <sup>(1)(2)</sup>	6.7%	6.4 %	7.1 %	6.4 %
Weighted average rate of new fixed rate investment fundings	8.0%	13.7 %	13.6%	13.6 %
Weighted average fees of new investment fundings	1.7%	1.5 %	1.9 %	1.6 %
Weighted average rate of sales and payoffs of portfolio companies	6.7%	5.7 %	7.2 %	6.2 %

(1) For the three and nine months ended June 30, 2012, we have excluded \$20.4 million of broadly syndicated loans held for short term investment purposes. These loans had a weighted average rate of 2.6% and a weighted average spread over LIBOR of 2.2%. Had we included the broadly syndicated loans in these rates, for the three and nine months ended June 30, 2012, our weighted average rate of new investments would have been 5.9% and 8.8%, respectively, and our weighted average spread over LIBOR would have been 4.8% and 6.7%, respectively.

(2) For the three and nine months ended June 30, 2011, we have excluded \$22.0 million of broadly syndicated loans held for short term investment purposes. These loans had a weighted average rate of 3.9% and a weighted average spread over LIBOR of 3.3%. Had we included the broadly syndicated loans in these rates, for the three and nine months ended June 30, 2011, our weighted average rate of new investments would have been 7.8% and 8.1%, respectively, and our weighted average spread over LIBOR would have been 5.3% and 5.7%, respectively.

For the three and nine months ended June 30, 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 9.3% and 9.4%, respectively. For the three and nine months ended June 30, 2011, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing investments in our portfolio were 8.6% and 8.6%, respectively. As of June 30, 2012, 81.2% and 80.5% 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, 2011, 78.8% and 79.0% of our portfolio at fair value and at cost, respectively, had interest rate floors that limited minimum interest rates on such loans.

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. See The Company Investment Process Overview Monitoring in the accompanying prospectus.



TABLE OF CONTENTS

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

Investment Performance Rating	June 30, 2012			September 30, 2011		
	Investments at Fair Value (In thousands)	Percentage of Total Investments		Investments at Fair Value (In thousands) <sup>(1)</sup>	Percentage of Total Investments	
5	\$ 138,479	21.7	%	\$ 49,691	10.8	%
4	437,319	68.7		360,259	78.7	
3	56,168	8.8		45,141	9.9	
2	341	0.1		2,891	0.6	
1	4,325	0.7				
Total	\$ 636,632	100.0	%	\$ 457,982	100.0	%

(1) As of September 30, 2011, the TRS was included in the above table with an investment performance rating of 4. The fair value of the TRS as of September 30, 2011 was \$(1.8) million.

## Consolidated Results of Operations

Consolidated operating results for the three and nine months ended June 30, 2012 and 2011 are as follows:

	Three months ended June 30,		Variances 2012 vs. 2011	Nine months ended June 30,		Variances 2012 vs. 2011
	2012	2011		2012	2011	
	(In thousands)					
Interest income	\$13,744	\$9,106	\$4,638	\$37,816	\$24,173	\$13,643
Income from amortization of discounts and origination fees	1,067	965	102	3,447	4,146	(699 )
Dividend income				377		377
Total investment income	14,811	10,071	4,740	41,640	28,319	13,321
Total expenses	8,133	4,119	4,014	21,556	11,954	9,602
Net investment income	6,678	5,952	726	20,084	16,365	3,719
Net realized gains (losses) on investments and derivative instruments	1,158	71	1,087	(2,786 )	1,997	(4,783 )
Net change in unrealized (depreciation) appreciation on investments and derivative instruments	(2,443 )	497	(2,940 )	5,716	(4 )	5,720
Net income	\$5,393	\$6,520	\$(1,127 )	\$23,014	\$18,358	\$4,656
Average earning portfolio company investments, at fair	\$602,056	\$427,607	\$174,449	\$544,103	\$380,463	\$163,640

value

Average debt outstanding     \$317,666    \$206,471    \$111,195    \$297,322    \$193,250    \$104,072

The results of operations for the three and nine months ended June 30, 2012 and 2011 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.

S-28

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TABLE OF CONTENTS**Comparison of the Three and Nine Months Ended June 30, 2012 and 2011****Investment Income**

Interest income increased by \$4.6 million from the three months ended June 30, 2011 to the three months ended June 30, 2012 and was primarily driven by an increase in the weighted average investment balance of earning investments from \$427.6 million for the three months ended June 30, 2011 to \$602.1 million for the three months ended June 30, 2012. To a lesser extent, the increase in interest income was driven by a higher weighted average annualized interest income yield (which excludes income resulting from amortization of fees and discounts), which increased from 8.6% for the three months ended June 30, 2011 to 9.3% for the three months ended June 30, 2012.

Interest income increased by \$13.6 million from the nine months ended June 30, 2011 to the nine months ended June 30, 2012 and was primarily driven by an increase in the weighted average investment balance of earning investments from \$380.5 million for the nine months ended June 30, 2011 to \$544.1 million for the nine months ended June 30, 2012. To a lesser extent, the increase in interest income was driven by a higher weighted average annualized interest income yield (which excludes income resulting from amortization of fees and discounts), which increased from 8.6% for the nine months ended June 30, 2011 to 9.4% for the nine months ended June 30, 2012.

The increase in the yield was driven primarily by the change in asset mix of our portfolio. Higher yielding subordinated and one stop investments increased from 10.6% and 34.8%, respectively, of the total investment in portfolio companies as of June 30, 2011 to 11.7% and 37.2%, respectively, of the total investment in portfolio companies as of June 30, 2012. From June 30, 2011 to June 30, 2012, lower yielding senior secured investments decreased from 47.4% to 40.7% of the total investment in portfolio companies.

Annualized interest income yield (which excludes income resulting from amortization of fees and discounts) by security type for the three and nine months ended June 30, 2012 and 2011 was as follows:

	Three months ended		Nine months ended	
	June 30, 2012	2011	June 30, 2012	2011
Senior secured	7.3 %	7.2 %	7.4 %	7.2 %
One stop	8.9 %	8.6 %	9.0 %	8.6 %
Second lien <sup>(1)</sup>	11.5 %	11.6 %	10.4 %	10.5 %
Subordinated debt	13.8 %	14.1 %	13.7 %	14.0 %

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

Interest rate yields increased for the three and nine months ended June 30, 2012 for senior secured and one stop categories, primarily due to increased pricing on new originations for these product types from pricing for the three and nine months ended June 30, 2011. Interest rate yields on second lien investments and fixed rate subordinated debt remained relatively flat as pricing on new originations remained relatively flat the past three quarters.

Income from the amortization of discounts and origination fees increased by \$0.1 million from the three months ended June 30, 2011 to the three months ended June 30, 2012. Income from the amortization of discounts and origination fees decreased by \$0.7 million from the nine months ended June 30, 2011 to the nine months ended June 30, 2012. The fluctuation in amortization of discounts and origination fees depends on the volume of payoffs and the discounts on the loans at the time of payoffs. For the nine months ended June 30, 2011, the discounts and origination fees

accelerated into income were larger than for the nine months ended June 30, 2012.

Dividend income increased by \$0.4 million from the nine months ended June 30, 2011 to the nine months ended June 30, 2012 as a result of dividend income received from an equity investment in a portfolio company.

S-29

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TABLE OF CONTENTS**Expenses**

The following table summarizes our expenses:

	Three months ended June 30,		Variances 2012 vs. 2011	Nine months ended June 30,		Variances 2012 vs. 2011
	2012	2011		2012	2011	
	(In thousands)					
Interest and other debt financing expenses	\$2,865	\$ 1,637	\$ 1,228	\$7,811	\$4,681	\$ 3,130
Base management fee	2,220	1,497	723	6,187	4,122	2,065
Incentive fee	1,917	113	1,804	4,261	525	3,736
Professional fees	538	500	38	1,685	1,558	127
Administrative service fee	489	224	265	1,207	611	596
General and administrative expenses	104	148	(44 )	405	457	(52 )
Total expenses	\$8,133	\$4,119	\$4,014	\$21,556	\$11,954	\$9,602

Interest and debt financing expenses increased from the three months ended June 30, 2011 to the three months ended June 30, 2012 primarily due to an increase in the weighted average of outstanding borrowings from \$206.5 million for the three months ended June 30, 2011 to \$317.7 million for the three months ended June 30, 2012. In addition to the \$174.0 million of borrowings under the Debt Securitization that was outstanding for the three months ended June 30, 2012 and 2011, we increased our use of debt through GC SBIC IV, L.P., our small business investment company, or SBIC, subsidiary and our Credit Facility, which had outstanding balances of \$123.5 million and \$32.3 million, respectively, as of June 30, 2012 and \$48.3 million and zero, respectively, as of June 30, 2011. 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 3.2% for the three months ended June 30, 2011 to 3.6% for the three months ended June 30, 2012.

Interest and debt financing expenses increased from the nine months ended June 30, 2011 to the nine months ended June 30, 2012 primarily due to an increase in the weighted average of outstanding borrowings from \$193.3 million for the nine months ended June 30, 2011 to \$297.3 million for the nine months ended June 30, 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 3.2% for the nine months ended June 30, 2011 to 3.5% for the nine months ended June 30, 2012.

The base management fee and the administrative service fee primarily increased as a result of an increase in average assets and average investments from the three and nine months ended June 30, 2011 to the three and nine months ended June 30, 2012. Additionally, as permitted under the Administration Agreement, beginning January 1, 2012, the allocable portion of the cost of our chief compliance officer and chief financial officer and their respective staffs were charged to us, which was also partially related to the increase in the administrative service fee. These costs are permitted to be charged under the terms of the Administration Agreement but were previously being waived by GC Service.

The incentive fee increased by \$1.8 million and \$3.7 million from the three and nine months ended June 30, 2011 to the three and nine months ended June 30, 2012, respectively, as a result of the increase in Pre-Incentive Fee Net

Investment Income.

As described in the Net Realized and Unrealized Gains and Losses section below, we entered into the TRS with 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 GAAP, which records such payments in net realized gains/(losses) on derivative instruments in the consolidated statement of operations.

However, we changed our methodology in the first fiscal quarter of

S-30

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TABLE OF CONTENTS

fiscal year 2012 pursuant to discussions with the staff, or the Staff, of the SEC, resulting in the TRS interest spread payments being included in the income component of the incentive fee calculation.

For the three and nine months ended June 30, 2012, we received interest spread payments from the TRS of \$1.0 million and \$2.6 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, GC Advisors irrevocably waived the incremental portion of the incentive fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the three months ended June 30, 2012, the incentive fee was \$1.9 million. For the nine months ended June 30, 2012, after taking into account the waiver by GC Advisors, the incentive fee was \$4.3 million, rather than \$4.9 million. The incentive fee for the three and nine months ended June 30, 2011 was \$0.1 million and \$0.5 million, respectively.

Golub Capital Incorporated pays for certain expenses incurred by us. Prior to April 14, 2010, Golub Capital Incorporated served as our investment adviser. These expenses are subsequently reimbursed in cash. Total expenses reimbursed by us to Golub Capital Incorporated for the three and nine months ended June 30, 2012 were \$0.1 million and \$0.3 million, respectively. Total expenses reimbursed by us to Golub Capital Incorporated for the three and nine months ended June 30, 2011 were \$0.1 million and \$0.3 million, respectively.

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

**Net Realized and Unrealized Gains and Losses**

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

	Three months ended		Variances	Nine months ended		Variances
	June 30,			June 30,		
	2012	2011	2012 vs.	2012	2011	2012 vs.
			2011			2011
	(In thousands)					
Net realized (loss) gain on investments	\$(70 )	\$71	\$(141 )	\$(5,002 )	\$1,997	\$(6,999 )
Net realized gain on TRS	2,188		2,188	3,779		3,779
Net realized (loss) on financial futures contracts	(960 )		(960 )	(1,563 )		(1,563 )
Net realized gain (loss)	1,158	71	1,087	(2,786 )	1,997	(4,783 )
Unrealized (depreciation) on investments	(3,338)	(1,279 )	(2,059 )	(9,487 )	(5,768 )	(3,719 )
Unrealized appreciation on investments	2,543	2,038	505	13,067	6,026	7,041
Unrealized (depreciation) appreciation on TRS	(1,405)	(262 )	(1,143 )	1,919	(262 )	2,181
Unrealized (depreciation) appreciation on financial futures contracts	(243 )		(243 )	217		217
	\$(2,443)	\$497	\$(2,940 )	\$5,716	\$(4 )	\$5,720

Net change in unrealized  
(depreciation) appreciation on  
investments and derivative  
instruments

For the three and nine months ended June 30, 2012, we had net realized losses on investments of \$0.1 million and \$5.0 million, respectively, primarily as a result of the sale of our investment in two

S-31

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## TABLE OF CONTENTS

non-accrual portfolio companies in the nine months ended June 30, 2012. During the three months ended June 30, 2012, we had \$3.3 million in unrealized depreciation on 85 portfolio company investments, which was partially offset by \$2.5 million in unrealized appreciation on 35 portfolio company investments. For the nine months ended June 30, 2012, we had \$13.1 million in unrealized appreciation on 54 portfolio company investments, which was partially offset by \$9.5 million in unrealized depreciation on 81 portfolio company investments. Unrealized appreciation during the three and nine months ended June 30, 2012 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. A majority of the unrealized depreciation resulted from negative credit related adjustments in certain of our investments which caused a reduction in fair value.

For the three and nine months ended June 30, 2011, we had \$0.1 million and \$2.0 million in net realized gains, respectively. For the three months ended June 30, 2011, we had \$2.0 million in unrealized appreciation on 29 portfolio company investments, which was partially offset by \$1.3 million in unrealized depreciation on 78 portfolio company investments. For the nine months ended June 30, 2011, we had \$6.0 million in unrealized appreciation on 57 portfolio company investments, which was partially offset by \$5.8 million in unrealized depreciation on 72 portfolio company investments.

Unrealized appreciation during the three and nine months ended June 30, 2011 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit-related adjustments which caused a reduction in fair value.

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

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

The purpose of entering into the TRS was to gain economic exposure to a portfolio of broadly syndicated loans. Generally, under the terms of a total return swap, one party agrees to make periodic payments to another party based on the change in the market value of the assets referenced by the total return swap, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate. As of June 30, 2012, the fair value of the TRS was \$0.1 million, comprised of unpaid accrued interest still owed to us under the terms of the TRS, which was paid in September 2012. As of September 30, 2011, the fair value of the TRS was \$(1.8) million, comprised of spread interest income of \$0.6 million and an unrealized loss on the referenced loans of \$(2.4) million. The change in the fair value of the TRS was \$(1.4) million and \$1.9 million for the three and nine months ended June 30, 2012, respectively. The change in the fair value of the TRS was \$(0.3) million and \$(0.3) million for the three and nine months ended June 30, 2011, respectively. Realized gains on the TRS for the three months ended June 30, 2012 were \$2.2 million, which consisted of spread interest income of \$1.0 million and a realized gain of \$1.2 million on the sale of the referenced loans. Realized gains on the TRS for the nine months ended June 30, 2012 were \$3.8 million, which consisted of spread interest income of \$2.6 million and a realized gain of \$1.2 million on the sale of the referenced loans. There were no realized gains or loss on the TRS for the three and nine months ended June 30, 2011.

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

### **Ten-Year U.S. Treasury Futures Contracts**

We have entered into ten-year U.S. Treasury futures contracts to mitigate our exposure to adverse fluctuation in interest rates related to our Small Business Administration, or SBA, debentures. Based on the daily fluctuation of the

fair value of the referenced securities of the financial futures, we record an unrealized gain or loss equal to the daily fluctuation in fair value. Upon maturity or settlement of the futures contracts, we will realize a gain or loss based on the difference of the fair value of the financial futures contracts at inception and the fair value of the futures contracts at settlement or maturity. As of June 30, 2012 and September 30, 2011, the fair value of the futures contracts was \$0.1 million and \$(1.0) million, respectively. For the three and nine months ended June 30, 2012, the realized loss on settlement of futures contracts was \$(1.0) million and \$(1.6) million, respectively. For the three and nine months ended June 30, 2012, the change in unrealized (depreciation) appreciation related to the futures contracts was \$(0.2) million and \$0.2 million,

S-32

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TABLE OF CONTENTS

respectively. The losses on the futures contracts were a result of the decrease in the ten-year U.S. Treasury rate. The futures contracts were terminated in September 2012.

## **Liquidity and Capital Resources**

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

For the nine months ended June 30, 2012, we experienced a net decrease in cash and cash equivalents of \$28.3 million. During the same period, we used \$131.6 million in operating activities, primarily as a result of fundings of portfolio investments of \$292.9 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of \$120.6 million and net investment income of \$20.1 million. During the same period, cash used in investment activities of \$21.6 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was \$125.0 million, primarily due to borrowings on debt of \$154.8 million and proceeds from shares sold from our public offering of \$57.2 million, partially offset by repayments of debt of \$62.7 million and distributions paid of \$21.8 million.

On January 31, 2012, we priced a public offering of 3,500,000 shares of our common stock at a public offering price of \$15.35 per share, raising approximately \$53.7 million in gross proceeds. On February 3, 2012, the transaction closed, the shares were delivered, and proceeds, net of offering costs but before expenses, of \$52.3 million were received. On March 1, 2012, we sold an additional 325,000 shares of our common stock at a public offering price of \$15.35 per share pursuant to the underwriters' partial exercise of the over-allotment option we granted to the underwriters in connection with the offering that closed on February 3, 2012. Settlement of this partial exercise of the over-allotment option resulted in gross proceeds of \$5.0 million and proceeds, net of offering costs but before expenses, of \$4.8 million. On August 6, 2012, we announced an ATM program to sell up to \$50 million of shares of our common stock. We have not sold any shares of our common stock under the ATM program to date.

For the nine months ended June 30, 2011, we experienced a net decrease in cash and cash equivalents of \$17.1 million. During the same period we used \$107.9 million in operating activities, primarily as a result of fundings of portfolio investments of \$274.8 million. This was partially offset by proceeds from principal payments of \$108.9 million and sales of portfolio investments of \$80.1 million and net investment income of \$16.4 million. During the same period, cash provided by financing activities was \$88.3 million, primarily due to net proceeds from the follow-on offering of \$59.4 million and borrowings on debt of \$48.3 million, partially offset by distributions paid of \$17.0 million. Lastly, net cash provided by investing activities was \$2.5 million as a result of a decrease in restricted cash and cash equivalents.

As of June 30, 2012 and September 30, 2011, we had cash and cash equivalents of \$18.1 million and \$46.4 million, respectively. In addition, we had restricted cash and cash equivalents of \$45.1 million and \$23.4 million as of June 30, 2012 and September 30, 2011, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. As of June 30, 2012, \$18.8 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. \$4.3 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 \$22.0 million of restricted cash

and cash equivalents can be used to fund new investments that meet the regulatory and investment guidelines established by the SBA for our SBIC, which are described in further detail in Note 6 to our consolidated financial statements, and for interest expense and fees on our outstanding SBA debentures.

As of June 30 2012 and September 30, 2011, we had outstanding commitments to fund investments totaling \$52.0 million and \$49.4 million, respectively. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of June 30, 2012 and September 30, 2011, subject to the terms of each loan's respective credit agreement.

S-33

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TABLE OF CONTENTS

As of June 30, 2012 and September 30, 2011, subject to leverage and borrowing base restrictions, we had approximately \$42.7 million and \$72.6 million, respectively, available for additional borrowings on the Credit Facility.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is \$225.0 million. An affiliate of GC Advisors manages another SBIC. As such, it is possible that GC SBIC IV, L.P., our wholly owned SBIC subsidiary, will be constrained in its ability to issue SBA-guaranteed debentures in the future if the other affiliated SBIC has already issued such debentures. As of June 30, 2012, the affiliated SBIC licensee had \$90.7 million of SBA-guaranteed debentures outstanding, while GC SBIC IV, L.P. had \$123.5 million of outstanding SBA-guaranteed debentures, leaving incremental borrowing capacity of a maximum of \$10.8 million of SBA-guaranteed debentures for GC SBIC IV, L.P. and the affiliated SBIC licensee. On August 24, 2010, the date GC SBIC IV, L.P. received its license from the SBA, the SBA restricted the affiliated SBIC licensee from making certain new investments without approval from the SBA. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies. As such, the majority of the incremental borrowing capacity is available for GC SBIC IV, L.P. The borrowing capacity of GC SBIC IV, L.P. could be expanded further if the affiliated SBIC retires its SBA-guaranteed debentures.

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

In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. On September 13, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage requirement to exclude the SBA debentures from this calculation. As such, our ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides us with increased investment flexibility but also increases our risks related to leverage. As of June 30, 2012, our asset coverage for borrowed amounts was 282.1% (excluding the SBA debentures).

Although we expect to fund the growth of our investment portfolio through the net proceeds from future securities offerings, the ATM program 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 June 30, 2012 will be sufficient to fund our anticipated requirements through at least June 30, 2013.

## Contractual Obligations and Off-Balance Sheet Arrangements

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

Payments Due by Period				
(In millions)				
Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years

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Debt Securitization	\$ 174.0	\$	\$	\$	\$ 174.0
SBA debentures	123.5				123.5
Credit Facility	32.3			32.3	
Unfunded commitments <sup>(1)</sup>	52.0	52.0			
Total contractual obligations	\$ 381.8	\$ 52.0	\$	\$ 32.3	\$ 297.5

<sup>(1)</sup> Unfunded commitments represent all amounts unfunded as of June 30, 2012. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans

S-34

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TABLE OF CONTENTS

with various maturity dates, but we are showing this amount in the less than one year category, as this entire amount was eligible for funding to the borrowers as of June 30, 2012.

The notes offered in the Debt Securitization are scheduled to mature on July 20, 2021. The SBA debentures are scheduled to mature between March 2021 and March 2022. The Credit Facility is scheduled to mature on October 21, 2015.

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of June 30, 2012 and September 30, 2011, we had outstanding commitments to fund investments totaling \$52.0 million and \$49.4 million, respectively.

Our ten-year U.S. Treasury futures contracts contain elements of off-balance sheet market and credit risk. Such derivative instruments can be affected by market conditions, such as interest rate volatility, which could impact the fair value of our derivative instruments. If market conditions move against us, we may not achieve the anticipated benefits of these derivative instruments and may realize a loss. We minimize market risk through monitoring our investments. In addition to market risk, we have credit risk that a counterparty will not be able to meet its obligations to us. It is our policy to review, as necessary, the credit standing of each counterparty.

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

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

## Distributions

In order to qualify as a RIC and to avoid corporate-level U.S. federal income tax on the income we distribute to our stockholders, we are required under the Code to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Additionally, we must meet the annual distribution requirements of the U.S. federal excise tax rules. We intend to distribute quarterly distributions to our stockholders as determined by our board of directors.

S-35

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## TABLE OF CONTENTS

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. A portion of the distributions paid to stockholders for the quarter ended June 30, 2012 represented a return of capital.

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

## **Related Party Transactions**

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

In this offering, Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, has agreed to purchase an aggregate of \$3.0 million of shares at the public offering price per share. In addition, in this offering, Mr. William M. Webster IV, one of our directors, has agreed to purchase 10,000 shares at the public offering price per share.

In our common stock offering that closed on February 3, 2012, Golub Capital Employee Grant Program Rabbi Trust purchased an aggregate of \$3.1 million of shares at the public offering price per share and, from March 1, 2012 through June 30, 2012, the same trust invested \$3.1 million through open market purchases. In addition, in the same offering, Mr. William M. Webster IV, one of our directors, purchased 15,000 shares at the public offering price per share, and Mr. John T. Baily, one of our directors, purchased \$75,000 of shares at the public offering price per share. 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.

See Related Party Transactions and Certain Relationships in the accompanying prospectus.

## **Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, including changes in interest rates. During the period covered by our predecessor's financial statements, many of the loans in our portfolio had floating interest rates, and we expect that our

loans in the future may also have floating interest rates. These loans are usually based on a floating LIBOR and typically have interest rate re-set provisions that adjust applicable interest rates under

S-36

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TABLE OF CONTENTS

such loans to current market rates on a quarterly basis. In addition, the Class A Notes issued as a part of the Debt Securitization have a floating interest rate provision based on 3-month LIBOR that resets quarterly and the Credit Facility has a floating interest rate provision based on 1-month LIBOR that resets daily, and we expect that other credit facilities into which we enter in the future may have floating interest rate provisions.

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

Change in interest rates	Increase (decrease) in interest income	Increase (decrease) in interest expense (in thousands)	Net increase (decrease)
Down 25 basis points	\$ (105 )	\$ (516 )	\$ 411
Up 100 basis points	677	2,063	(1,386 )
Up 200 basis points	5,473	4,126	1,347
Up 300 basis points	10,800	6,189	4,611

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in the credit market, credit quality, the size and composition of the assets in our portfolio and other business developments, including borrowing under the Debt Securitization or other borrowings, that could affect net increase in net assets resulting from operations, or net income. Accordingly, we can offer no assurances that actual results would not differ materially from the analysis above.

We entered into ten-year U.S. Treasury futures contracts to mitigate our risks associated with a rising ten-year U.S. Treasury rate. These futures contracts insulate us against adverse changes in such rate, but also limit our ability to participate in the benefits of lower interest rates.

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

## 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.

S-37

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TABLE OF CONTENTS

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



TABLE OF CONTENTS

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 nine months ended June 30, 2012 and 2011. The following section describes the valuation techniques used by us to measure different assets and liabilities at fair value and includes the level within the fair value hierarchy in which the assets and liabilities are categorized.

Cash and cash equivalents held at large financial institutions and futures contracts that are valued based on quoted market prices in active markets are categorized in Level 1 of the fair value hierarchy. All other assets and liabilities as of June 30, 2012 and September 30, 2011 were valued using Level 3 inputs of the fair value hierarchy. 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, borrowings and derivatives are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments, borrowings and derivatives are traded.

## Revenue Recognition

Our revenue recognition policies are as follows:

*Investments and Related Investment Income:* Our board of directors determines the fair value of our portfolio of investments. Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. Premiums, discounts, and origination fees are amortized or accreted into interest income over the life of the respective debt investment. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally

S-39

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## TABLE OF CONTENTS

becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that the PIK is not likely to be collectible. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

We account for investment transactions on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in our consolidated statement of operations.

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

We recorded the fair value of our investment in the TRS based on the unrealized gain or loss of the reference securities of the TRS. For GAAP purposes, realized gains and losses on the TRS were composed of any gains or losses on the referenced portfolio of loans as well as the net interest received or owed at the time of the quarterly settlement. For GAAP purposes, unrealized gains and losses on the TRS were composed of the net interest income earned or interest expense owed during the period that was not previously settled as well as the change in fair value of the referenced portfolio of loans.

*Non-accrual:* Loans may be left on accrual status during the period we are pursuing repayment of the loan.

Management reviews all loans that become past due 90 days or more on principal and interest or when there is reasonable doubt that principal or interest will 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 \$4.2 million and \$2.9 million as of June 30, 2012 and September 30, 2011, respectively.

## **Income taxes**

We have elected to be treated as a RIC under Subchapter M of the Code and operate in a manner so as to qualify for the U.S. federal income 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, each year. We have made and intend to continue to make the requisite distributions to our stockholders, which will generally relieve us from U.S. federal income taxes.

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

Because U.S. federal income tax regulations differ from GAAP, distributions in accordance with such 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 U.S. federal income 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 U.S. federal income tax purposes.

S-40

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TABLE OF CONTENTS

## UNDERWRITING

We are offering the common stock described in this prospectus supplement and the accompanying prospectus through a number of underwriters. Wells Fargo Securities, LLC and UBS Securities LLC are acting as joint book-running managers. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of shares of common stock listed next to its name in the following table:

Underwriter	Number of Shares
Wells Fargo Securities, LLC	1,560,000
UBS Securities LLC	1,040,000
Total	2,600,000

The underwriters are committed to purchase all of the shares of common stock offered by us if they purchase any common stock. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or this offering may be terminated.

### Overallotment Option

The underwriters have an option to buy up to 390,000 additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus supplement to exercise this overallotment option. If any shares are purchased with this overallotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriters propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of \$0.282 per share. After the public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, has agreed to purchase an aggregate of \$3.0 million of shares in this offering at the public offering price per share. In addition, Mr. William M. Webster IV, one of our directors, has agreed to purchase 10,000 shares in this offering at the public offering price per share.

### Commissions and Discounts

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is \$0.47 per share. The following table shows the per share of common stock and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

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	Per Share		Total	
	Without	With	Without	With
	Over-Allotment	Over-Allotment	Over-Allotment	Over-Allotment
Public offering price	\$15.58	\$ 15.58	\$40,508,000	\$ 46,584,200
Sales load (underwriting discounts and commissions)	\$0.47	\$ 0.47	\$1,222,000	\$ 1,405,300
Proceeds before expenses	\$15.11	\$ 15.11	\$39,286,000	\$ 45,178,900

S-41

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## TABLE OF CONTENTS

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$300,000, or approximately \$0.12 per share excluding the over-allotment option and approximately \$0.10 per share including the over-allotment option. All of these offering expenses will be borne indirectly by investors in this offering and, therefore, immediately reduce the net asset value of each investor's shares. The underwriters will reimburse us for certain other expenses related to this offering.

## **Lock-Up Agreements**

During the period from the date of this prospectus supplement continuing through the date 45 days after the date of this prospectus, we, GC Advisors, GC Service, our officers and directors, Golub Capital Employee Grant Program Rabbi Trust and Golub Capital and certain of its affiliates have agreed with the representatives of the underwriters, subject to certain exceptions, not to:

- (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock, whether now owned or hereafter acquired, or
- (2) enter into any swap or other agreement, arrangement or transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any common stock or any securities convertible into or exercisable or exchangeable for any common stock.

Moreover, if (1) during the last 17 days of such 45-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of such 45-day restricted period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of such 45-day restricted period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the date of issuance of the earnings release or the occurrence of the material news or material event, as the case may be, unless the representatives of the underwriters waive, in writing, such extension.

## **Price Stabilizations and Short Positions**

In connection with this offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve sales by the underwriters of common stock in excess of the number of securities required to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of securities made in an amount up to the number of securities represented by the underwriters' over-allotment option. Transactions to close out the covered syndicate short involve either purchases of such securities in the open market after the distribution has been completed or the exercise of the over-allotment option. In determining the source of securities to close out the covered syndicate short position, the underwriters may consider the price of securities available for purchase in the open market as compared to the price at which they may purchase securities through the over-allotment option. The underwriters may also make naked short sales, or sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of bids for or purchases of securities in the open market while this offering is in progress for the purpose of fixing or maintaining the price of the securities.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from an underwriter or syndicate member when the underwriters repurchase securities originally sold by that underwriter or syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of raising or maintaining the market price of the securities or preventing or retarding a decline in the market price of the securities. As a result, the price of the securities may be higher than the price that might otherwise exist in the open market. The underwriters may conduct

S-42

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## TABLE OF CONTENTS

these transactions on the NASDAQ Global Select Market or otherwise. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our securities. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions. If the underwriters commence any of these transactions, they may discontinue them at any time.

In connection with this offering, the underwriters may engage in passive market making transactions in our securities on the NASDAQ Global Select Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of securities and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

## **Sales Outside the United States**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of our common stock, or the possession, circulation or distribution of this prospectus supplement or accompanying prospectus or any other material relating to us or the common stock in any jurisdiction where action for that purpose is required. Accordingly, our common stock may not be offered or sold, directly or indirectly, and none of this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with our common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell our common stock offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where it is permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares of our common stock in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a U.K. incorporated investment firm regulated by the Financial Services Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

## **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares of our common stock to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares of our common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown

in its last annual or consolidated accounts,  
(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive)  
subject to obtaining the prior consent of the representatives for any such offer; or  
S-43

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TABLE OF CONTENTS

- (d) in any other circumstances which do not require the publication by the issuer of a prospectus supplement and accompanying prospectus pursuant to Article 3 of the Prospectus Directive;  
provided that no such offer of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000, or the FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and  
it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to our common stock in, from or otherwise involving the United Kingdom.

## **United Kingdom**

In addition, each underwriter: (a) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us, and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to our common stock in, from or otherwise involving the United Kingdom.

Without limitation to the other restrictions referred to in this prospectus, this prospectus is directed only at (1) persons outside the United Kingdom; (2) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (3) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Without limitation to the other restrictions referred to herein, any investment or investment activity to which this prospectus relates is available only to, and will be engaged in only with, such persons, and persons within the United Kingdom who receive this communication (other than persons who fall within (2) or (3) above) should not rely or act upon this communication.

## **France**

The prospectus (including any amendment, supplement or replacement thereto) has not been prepared in connection with the offering of our securities that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers; no security has been offered or sold and will be offered or sold, directly or indirectly, to the public in France within the meaning of Article L. 411-1 of the French Code Monétaire et Financier except to permitted investors, or Permitted Investors, consisting of persons licensed to provide the investment service

of portfolio management for the account of third parties, qualified investors (investisseurs qualifiés) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French Code Monétaire et Financier and belonging to a limited circle of investors (cercle restreint d investisseurs) acting for their own account, with qualified investors and limited circle of investors having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier; none of this prospectus or any other materials related to the offer or information contained in this prospectus

S-44

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## TABLE OF CONTENTS

relating to our common stock has been released, issued or distributed to the public in France except to permitted investors; and the direct or indirect resale to the public in France of any securities acquired by any permitted investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

## **Hong Kong**

Shares of our common stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

## **Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of our common stock may not be circulated or distributed, nor may shares of our common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares of our common stock under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

## **Japan**

Our common stock has not been and will not be registered under the Securities and Exchange Law of Japan, or the Securities and Exchange Law, and each underwriter has agreed that it will not offer or sell any shares of our common stock, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein

means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Notice to Prospective Investors in Switzerland**

This document as well as any other material relating to the shares of our common stock which are the subject of the offering contemplated by this prospectus do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. Our common stock will not be listed on the SWX Swiss

S-45

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## TABLE OF CONTENTS

Exchange and, therefore, the documents relating to our common stock, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange.

Our common stock is being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase shares of our common stock with the intention to distribute them to the public. The investors will be individually approached by us from time to time.

This document as well as any other material relating to our common stock is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

## **Notice to Prospective Investors in the Dubai International Financial Centre**

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares of our common stock which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of our common stock offered should conduct their own due diligence on our common stock. If you do not understand the contents of this document you should consult an authorized financial adviser.

## **Electronic Delivery**

The underwriters may make this prospectus supplement and accompanying prospectus available in an electronic format. The prospectus supplement and accompanying prospectus in electronic format may be made available on a website maintained by any of the underwriters, and the underwriters may distribute such documents electronically.

The underwriters may agree with us to allocate a limited number of securities for sale to their online brokerage customers. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately \$300,000.

We and GC Advisors have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

## **Additional Relationships**

Certain of the underwriters and their respective affiliates have from time to time performed and may in the future perform various commercial banking, financial advisory and investment banking services for us and our affiliates for

which they have received or will receive customary compensation. Wells Fargo Securities, LLC and UBS Securities LLC act as sales agents and/or principals under the ATM program. In addition, Wells Fargo Securities, LLC and UBS Securities LLC acted as underwriters in our initial public offering, which was completed in April 2010 and our subsequent public offerings, which were completed in April 2011 and February 2012, and received customary underwriting discounts and commissions. Wells Fargo Securities, LLC also served as initial purchaser for the Class A Notes and the Class B Notes sold in the Debt Securitization for which it received a one-time structuring and placement fee of \$1.74 million with respect to the Class A Notes and a one-time structuring fee of \$50,000 with respect to the Class B Notes. Additionally, on July 21, 2011, Golub Capital BDC Funding LLC, our wholly owned subsidiary, entered into the Credit Facility with Wells Fargo Securities, LLC, as administrative agent, and Wells Fargo Bank, N.A., as lender, collateral agent, account bank and collateral custodian. We may use a portion of the net proceeds from this offering to repay

S-46

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## TABLE OF CONTENTS

amounts outstanding under the Credit Facility, and Wells Fargo Securities, LLC and its affiliates may receive a part of such proceeds by reason of repayment of certain amounts outstanding under the Credit Facility. In this offering, Golub

Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, has agreed to purchase an aggregate of \$3.0 million of shares at the public offering price per share. Golub Capital Employee Grant Program Rabbi Trust also purchased an aggregate of \$3.1 million of shares in our February 2012 offering at a price per share of \$15.35 and, from March 1, 2012 through June 30, 2012, invested \$3.1 million through open market purchases. An affiliate of Wells Fargo Securities, LLC serves as trustee of Golub Capital Employee Grant Program Rabbi Trust and receives customary fees in connection with its role as trustee.

In addition the underwriters or their affiliates may execute transactions with or on behalf of Golub Capital. The underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to Golub Capital. The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to Golub Capital or any of the portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if, among other things, we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our common stock, the underwriters or their affiliates may develop analyses or opinions related to Golub Capital or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding Golub Capital to our stockholders.

The principal business addresses of the underwriters are: Wells Fargo Securities, LLC, 375 Park Avenue, 4<sup>th</sup> Floor, New York, New York 10152; and UBS Securities LLC, 299 Park Avenue, New York, New York 10171.

## **LEGAL MATTERS**

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for us by Dechert LLP, Washington, D.C. Dechert LLP has from time to time represented GC Advisors and the underwriters on unrelated matters. Certain legal matters in connection with the securities offered hereby will be passed upon for the underwriters by Clifford Chance US LLP, New York, New York.

S-47

---

TABLE OF CONTENTS

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated statements of financial condition, including the consolidated schedules of investments, of Golub Capital BDC, Inc. and its subsidiaries (the Company) (formerly known as Golub Capital BDC LLC and Golub Capital Master Funding LLC) as of September 30, 2011 and 2010 and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended September 30, 2011, and the effectiveness of internal control over financial reporting as and for the period ended September 30, 2011 appearing in the registration statement have been audited by McGladrey LLP (formerly McGladrey & Pullen, LLP), an independent registered public accounting firm located at One South Wacker Drive, Chicago, IL 60606, as stated in their report appearing elsewhere herein, which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's investments whose fair values have been estimated by management, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

## **AVAILABLE INFORMATION**

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus supplement and the accompanying prospectus.

We file with or submit to the SEC annual, quarterly and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at [www.golubcapitalbdc.com](http://www.golubcapitalbdc.com) and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement and the accompanying prospectus, and you should not consider information on our website to be part of this prospectus supplement and the accompanying prospectus. You may also obtain such information by contacting us in writing at 150 South Wacker Drive, Suite 800, Chicago, IL 60606, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy statements and other information we file with the SEC at [www.sec.gov](http://www.sec.gov). Copies of these reports, proxy statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.



TABLE OF CONTENTS

## INDEX TO FINANCIAL STATEMENTS

	Page
<u>Consolidated Statements of Financial Condition as of June 30, 2012 (unaudited) and September 30, 2011</u>	<u>SF-2</u>
<u>Consolidated Statements of Operations for the three and nine months ended June 30, 2012 (unaudited) and 2011 (unaudited)</u>	<u>SF-3</u>
<u>Consolidated Statements of Changes in Net Assets for the nine months ended June 30, 2012 (unaudited) and 2011 (unaudited)</u>	<u>SF-4</u>
<u>Consolidated Statements of Cash Flows for the nine months ended June 30, 2012 (unaudited) and 2011 (unaudited)</u>	<u>SF-5</u>
<u>Consolidated Schedules of Investments as of June 30, 2012 (unaudited) and September 30, 2011</u>	<u>SF-6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>SF-21</u>

SF-1

---

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

	June 30, 2012 (unaudited)	September 30, 2011
<b>Assets</b>		
Investments, at fair value (cost of \$635,252 and \$462,961, respectively)	\$636,632	\$459,827
Cash and cash equivalents	18,070	46,350
Restricted cash and cash equivalents	45,059	23,416
Interest receivable	3,893	3,063
Unrealized appreciation on derivative instruments	149	
Cash collateral on deposit with custodian	1,287	21,162
Deferred financing costs	6,082	5,345
Other assets	350	481
<b>Total Assets</b>	<b>\$711,522</b>	<b>\$559,644</b>
<b>Liabilities</b>		
<b>Debt</b>		
Interest payable	2,269	1,066
Management and incentive fees payable	4,070	1,608
Unrealized depreciation on derivative instruments		1,986
Accounts payable and accrued expenses	1,172	752
<b>Total Liabilities</b>	<b>337,311</b>	<b>243,095</b>
<b>Net Assets</b>		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2012 and September 30, 2011		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 25,663,009 and 21,733,903 shares issued and outstanding as of June 30, 2012 and September 30, 2011, respectively	26	22
Paid in capital in excess of par	376,292	318,302
Capital distributions in excess of net investment income	(3,660 )	(398 )
Net unrealized appreciation (depreciation) on investments and derivative instruments	4,197	(1,519 )
Net realized (loss) gain on investments and derivative instruments	(2,644 )	142
<b>Total Net Assets</b>	<b>374,211</b>	<b>316,549</b>
<b>Total Liabilities and Total Net Assets</b>	<b>\$711,522</b>	<b>\$559,644</b>
Number of common shares outstanding	25,663,009	21,733,903
Net asset value per common share	\$14.58	\$14.56

SF-2



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

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Investment income				
Interest income	\$14,811	\$10,071	\$41,263	\$28,319
Dividend income			377	
Total investment income	14,811	10,071	41,640	28,319
Expenses				
Interest and other debt financing expenses	2,865	1,637	7,811	4,681
Base management fee	2,220	1,497	6,187	4,122
Incentive fee	1,917	113	4,261	525
Professional fees	538	500	1,685	1,558
Administrative service fee	489	224	1,207	611
General and administrative expenses	104	148	405	457
Total expenses	8,133	4,119	21,556	11,954
Net investment income	6,678	5,952	20,084	16,365
Net (loss) gain on investments				
Net realized (loss) gain on investments	(70 )	71	(5,002 )	1,997
Net realized gain (loss) on derivative instruments	1,228		2,216	
Net change in unrealized (depreciation) appreciation on investments	(795 )	759	3,580	258
Net change in unrealized (depreciation) appreciation on derivative instruments	(1,648 )	(262 )	2,136	(262 )
Net (loss) gain on investments	(1,285 )	568	2,930	1,993
Net increase in net assets resulting from operations	\$5,393	\$6,520	\$23,014	\$18,358
Per Common Share Data				
Basic and diluted earnings per common share	\$0.21	\$0.31	\$0.97	\$0.97
Dividends and distributions declared per common share	\$0.32	\$0.32	\$0.96	\$0.95
Basic and diluted weighted average common shares outstanding	25,639,680	21,319,348	23,803,762	18,923,395

SF-3

TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries**

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

	Common Stock	Paid in Capital in Excess of Par	Capital Distributions in Excess of Net Investment Income	Net Unrealized Appreciation (Depreciation) on Investments and Derivative Instruments	Net Realized Gain (Loss) on Investments and Derivative Instruments	Total Net Assets	
	Shares	Par Amount					
Balance at September 30, 2010	17,712,444	\$ 18	\$ 258,568	\$	\$ 1,995	\$(40 )	\$ 260,541
Issuance of common stock, net of offering and underwriting costs <sup>(1)</sup>	3,953,257	4	58,606				58,610
Net increase in net assets resulting from operations				16,365	(4 )	1,997	18,358
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	68,202		1,128				1,128
Dividends and distributions				(18,114)			(18,114 )
Balance at June 30, 2011	21,733,903	\$ 22	\$ 318,302	\$(1,749 )	\$ 1,991	\$ 1,957	\$ 320,523
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>(2)</sup>	3,825,000	4	56,463				56,467
Net increase in net assets resulting from operations				20,084	5,716	(2,786)	23,014
Distributions to stockholders:							
Stock issued in connection with dividend	104,106		1,527				1,527

reinvestment plan

Dividends and distributions						(23,346)		(23,346)
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Balance at June 30, 2012	25,663,009	\$26	\$376,292	\$(3,660)	)	\$4,197	\$(2,644)	\$374,211
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(1) On April 6, 2011, Golub Capital BDC, Inc. closed on a public offering of 3,500,000 shares of its common stock at a public offering price of \$15.75 per share. On May 2, 2011, Golub Capital BDC, Inc. sold an additional 453,257 shares of its common stock at a public offering price of \$15.75 per share pursuant to the underwriters' partial exercise of the over-allotment option.

(2) On February 3, 2012, Golub Capital BDC, Inc. closed on 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.

SF-4

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

	Nine Months Ended June 30,	
	2012	2011
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$23,014	\$18,358
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) operating activities		
Amortization of deferred financing costs	1,072	564
Amortization of discount and premium	(3,447 )	(4,146 )
Net realized loss (gain) on investments	5,002	(1,997 )
Net realized (gain) loss on derivative instruments	(2,216 )	
Net change in unrealized (appreciation) depreciation on investments	(3,580 )	4
Net change in unrealized (appreciation) depreciation on derivative instruments	(2,136 )	
(Fundings of) revolving loans, net	(2,438 )	(1,696 )
Fundings of investments	(292,943)	(274,831)
Proceeds from principal payments and sales of portfolio investments	120,602	188,943
Proceeds from derivative instruments	2,216	
Changes in operating assets and liabilities:		
Interest receivable	(830 )	(618 )
Cash collateral on deposit with custodian	19,875	(11,460 )
Open trade receivable		(17,015 )
Other assets	131	(185 )
Interest payable	1,203	27
Management and incentive fees payable	2,462	609
Payable for investments purchased		(5,328 )
Due to broker		860
Accounts payable and accrued expenses	420	46
Net cash (used in) operating activities	(131,593)	(107,865)
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	(21,643 )	2,492
Net cash (used in) provided by investing activities	(21,643 )	2,492
Cash flows from financing activities		
Borrowings on debt	154,817	48,300
Repayments of debt	(62,700 )	
Capitalized debt financing costs	(1,810 )	(1,654 )
Proceeds from shares sold, net of underwriting costs	57,164	59,420
Offering costs paid	(696 )	(810 )
Dividends and distributions paid	(21,819 )	(16,985 )

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Net cash provided by financing activities	124,956	88,271
Net change in cash and cash equivalents	(28,280 )	(17,102 )
Cash and cash equivalents, beginning of period	46,350	61,219
Cash and cash equivalents, end of period	\$18,070	\$44,117
Supplemental information:		
Cash paid during the period for interest	\$5,537	\$4,089
Dividends and distributions declared during the period	\$23,346	\$18,114

SF-5

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TABLE OF CONTENTS

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

**Consolidated Schedule of Investments (unaudited)  
June 30, 2012  
(In thousands)**

SF-6

---

TABLE OF CONTENTS

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

**Consolidated Schedule of Investments  
(unaudited) (Continued)**

**June 30, 2012**

***(In thousands)***

SF-7

---

TABLE OF CONTENTS

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

**Consolidated Schedule of Investments  
(unaudited) (Continued)**

**June 30, 2012**

***(In thousands)***

SF-8

---

TABLE OF CONTENTS

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

**Consolidated Schedule of Investments  
(unaudited) (Continued)**

**June 30, 2012**

***(In thousands)***

SF-9

---

TABLE OF CONTENTS

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

**Consolidated Schedule of Investments  
(unaudited) (Continued)**

**June 30, 2012**

***(In thousands)***

SF-10

---

TABLE OF CONTENTS

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

**Consolidated Schedule of Investments  
(unaudited) (Continued)**

**June 30, 2012**

***(In thousands)***

SF-11

---

TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments  
(unaudited) (Continued)****June 30, 2012****(In thousands, except derivative contracts)**

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount/Shares/Contracts	Cost	Percentage of Total Fair Net Value Assets	
Equity investments								
Aerospace and Defense								
Whitcraft LLC	Common stock	N/A	N/A	N/A	1	\$670	0.2%	\$670
Whitcraft LLC	Warrant	N/A	N/A	N/A		670	0.2	117 787
Automobile								
ABRA, Inc.	LLC interest	N/A	N/A	N/A	1	1,471	0.4	1,471
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	1,555
Banking								
Prommis Solutions Inc.*	Preferred LLC interest	N/A	N/A	N/A	6	472		
Prommis Solutions Inc.*	A-1 LLC interest	N/A	N/A	N/A				
Prommis Solutions Inc.*	A-2 LLC interest	N/A	N/A	N/A				
						472		
Beverage, Food and Tobacco								
Atkins Nutrionals, Inc.	LLC interest	N/A	N/A	N/A	57	796	0.3	1,064
First Watch Restaurants, Inc.	Common stock	N/A	N/A	N/A	7	691	0.2	691
Julio & Sons Company		N/A	N/A	N/A	521	521	0.2	619

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	LLC interest								
Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	0.1	189	
						2,228	0.8	2,563	
Diversified Conglomerate Manufacturing									
Oasis Outsourcing Holdings, Inc.	LLC interest	N/A	N/A	N/A	1,088	1,088	0.4	1,337	
Sunless Merger Sub, Inc.	Preferred stock	N/A	N/A	N/A		148		148	
						1,236	0.4	1,485	
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	666	0.2	666	
						1,156	0.3	1,156	
Healthcare, Education and Childcare									
Advanced Pain Management Holdings, Inc.	Common stock	N/A	N/A	N/A	67	67		63	
Advanced Pain Management Holdings, Inc.	Preferred stock	N/A	N/A	N/A	13	1,273	0.3	1,188	
Avatar International, LLC	LP interest	N/A	N/A	N/A	7	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	
National Healing Corporation	Preferred stock	N/A	N/A	N/A	695	799	0.3	1,020	
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	
						5,208	1.4	5,339	
Home and Office Furnishings, Housewares, and Durable Consumer									
Top Knobs USA, Inc.	Common stock	N/A	N/A	N/A	3	73		73	

SF-12



TABLE OF CONTENTS

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

**Consolidated Schedule of Investments**  
**(unaudited) (Continued)**  
**June 30, 2012**  
***(In thousands, except derivative contracts)***

- \*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 ) L or Prime P and which reset daily, quarterly or semiannually. For each we have provided
- (1) the spread over LIBOR or Prime and the weighted average current interest rate in effect at June 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 June 30, 2012.
- The negative fair value is the result of the capitalized discount on the loan or the unfunded commitment being
- (3) valued below par. The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.
- (4) The entire commitment was unfunded at June 30, 2012. As such, no interest is being earned on this investment.
- (5) Loan was on non-accrual status as of June 30, 2012, meaning that the Company has ceased recognizing interest income on the loan.
- (6) A portion of the interest may be deferred through a payment-in-kind ( PIK ) rate option.
- (7) As of June 30, 2012, the Company also had a \$74 receivable from a total return swap ( TRS ), which was terminated on April 11, 2012.

SF-13

---

TABLE OF CONTENTS

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

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

SF-14

---

TABLE OF CONTENTS

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

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

SF-15

---

TABLE OF CONTENTS

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

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

SF-16

---

TABLE OF CONTENTS

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

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

SF-17

---

TABLE OF CONTENTS

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

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

SF-18

---

TABLE OF CONTENTS

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

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

\* Denotes that all or a portion of the loan secures the notes offered in the Debt Securitization.  
SF-19

---

TABLE OF CONTENTS

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

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

- The majority of the investments bear interest at a rate that may be determined by reference to LIBOR L or Prime P and which reset daily, quarterly or semiannually. For each we have provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at September 30, 2011. Certain investments are subject to a LIBOR or Prime interest rate floor. For fixed rate loans, a spread above a reference rate is not applicable.
- (1)
- (2) For portfolio companies with multiple interest rate contracts, the interest rate shown is a weighted average current interest rate in effect at September 30, 2011.
- (3) The negative fair value is the result of the capitalized discount on the loan or the unfunded commitment being valued below par. The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.
- (4) The entire commitment was unfunded at September 30, 2011. As such, no interest is being earned on this investment.
- (5) Loan was on non-accrual status as of September 30, 2011, meaning that the Company has ceased recognizing interest income on the loan.
- (6) A portion of the interest may be deferred through a PIK rate option.

SF-20

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TABLE OF CONTENTS

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

On April 13, 2010, Golub Capital BDC LLC ( GC LLC ) converted from a Delaware limited liability company to a Delaware corporation, leaving GBDC as the surviving entity (the Conversion ). At the time of the Conversion, all limited liability company interests were exchanged for 8,984,863 shares of common stock in GBDC. GBDC had no assets or operations prior to the Conversion and, as a result, the books and records of GC LLC have become the books and records of the surviving entity. On April 14, 2010, GBDC completed its initial public offering.

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

Subsequent to the Conversion, GCMF became a wholly owned subsidiary of GBDC. GCMF's financial results are consolidated with GBDC, and the portfolio investments held by GCMF are included in the Company's consolidated financial statements. All intercompany balances and transactions have been eliminated.

The Company's investment strategy is to invest in senior secured, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), mezzanine (a loan that ranks senior only to a borrower's equity securities and ranks junior to all of such borrower's other indebtedness in priority of payment), second lien loans 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.

SF-21

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

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

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

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

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

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

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

Assets related to transactions that do not meet ASC Topic 860 *Transfers and Servicing* requirements for accounting sale treatment are reflected in the Company's consolidated statements of financial condition as investments. Those assets are owned by special purpose entities that are consolidated in the Company's financial statements. The creditors

of the special purpose entities have received security interests in such assets and such assets are not intended to be available to the creditors of the Company (or any affiliate of the Company).

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

**Restricted cash and cash equivalents:** Restricted cash and cash equivalents include amounts that are collected and are held by trustees who have been appointed as custodians of the assets securing certain of the Company's financing transactions. Restricted cash is held by the trustees for payment of interest expense and principal on the outstanding borrowings or reinvestment into new assets. In addition, restricted cash and cash equivalents include amounts held within the Company's small business investment company ( SBIC ). This

SF-22

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TABLE OF CONTENTS

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

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

#### **Note 2. Accounting Policies and Recent Accounting Updates (continued)**

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

#### **Revenue recognition:**

*Investments and related investment income:* The Board determines the fair value of the Company's investments.

Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. In addition, the Company may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and the Company accretes or amortizes such amounts over the life of the loan as interest income. All other income is recorded into income when earned. The Company records prepayment premiums on loans as interest income. When the Company receives principal payments on a loan in an amount that exceeds the loan's amortized cost, it records the excess principal payment as interest income. For the three and nine months ended June 30, 2012, interest income included \$1,067 and \$3,447, respectively, of amortization of discounts. For the three and nine months ended June 30, 2011, interest income included \$965 and \$4,146, respectively, of amortization of discounts.

As of June 30, 2012 and September 30, 2011, the Company had interest receivable of \$3,893 and \$3,063, respectively.

For the three and nine months ended June 30, 2012, the Company earned interest of \$14,811 and \$41,263, respectively. For the three and nine months ended June 30, 2011, the Company earned interest of \$10,071 and \$28,319, respectively. For the three and nine months ended June 30, 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 \$13,120 and \$35,995, respectively. For the three and nine months ended June 30, 2011, 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 \$9,410 and \$27,086, respectively. For the three and nine months ended June 30, 2012, the Company received loan origination fees of \$516 and \$6,027, respectively. For the three and nine months ended June 30, 2011, the Company received loan origination fees of \$1,941 and \$4,740, respectively. These loan origination fees are capitalized and amortized over the life of the loan as interest income.

For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, the Company will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. For the three and nine months ended June 30, 2012, the Company recorded PIK income of \$634 and \$1,545, respectively. For the three and nine months ended June 30, 2011, the Company recorded PIK income of \$268 and \$615, respectively. For the three and nine months ended June 30, 2012, the Company received PIK payments in cash of \$187 and \$554, respectively. For the three and nine months

ended June 30, 2011, the Company received PIK payments in cash of \$104 and \$269, 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 nine months ended June 30, 2012, the Company recorded dividend income of zero and \$377, respectively. The Company did not earn dividend income for the three and nine months ended June 30, 2011.

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.

SF-23

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

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

*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 \$4,243 and \$2,891 as of June 30, 2012 and September 30, 2011, respectively.

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

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the three and nine months ended June 30, 2012 and 2011, 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 June 30, 2012. The 2009, 2010 and 2011 tax years remain subject to examination by U.S. federal and most state tax authorities.

**Dividends and distributions:** Dividends and distributions to common stockholders are recorded on the declaration date. The amount to be paid out as a dividend or distribution is determined by the Board each quarter and is generally

based upon the earnings estimated by management. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment.

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

On May 3, 2011, the Company s Board approved an amendment to the DRIP that, in the event the market price per share of the Company s common stock on the date of a distribution exceeds the most

SF-24

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

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

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

**Deferred financing costs:** Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of June 30, 2012 and September 30, 2011, the Company had deferred financing costs of \$6,082 and \$5,345, respectively. These amounts are amortized and included in interest expense in the consolidated statements of operations over the estimated average life of the borrowings. Amortization expense for the three and nine months ended June 30, 2012 was \$375 and \$1,072, respectively. Amortization expense for the three and nine months ended June 30, 2011 was \$202 and \$564, 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 June 30, 2012 and September 30, 2011, deferred offering costs, which are included in other assets on the consolidated statements of financial condition, were \$53 and \$272, respectively.

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

#### Note 3. Related Party Transactions

**Investment Advisory Agreement:** On April 14, 2010, GBDC entered into the Investment Advisory Agreement with the Investment Adviser, under which the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, GBDC. The Investment Advisory Agreement was subsequently amended on July 16, 2010. The Board reapproved the Investment Advisory Agreement on February 2, 2012. The Investment Adviser is a registered investment adviser with the Securities and Exchange Commission (the SEC). The Investment Adviser receives fees for providing services, consisting of two components, a base management fee and an Incentive Fee (as defined below).

The base management fee is calculated at an annual rate equal to 1.375% of average adjusted gross assets at the end of the two most recently completed calendar quarters (including assets purchased with borrowed funds and securitization-related assets, leverage, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian but adjusted to exclude cash and cash equivalents so that investors do not pay the

base management fee on such assets) and is payable quarterly in arrears. Such amount is adjusted, based on the actual number of days elapsed relative to the total number of days in such calendar quarter, for any share issuances or repurchases during such calendar quarter. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper instruments maturing within 270 days of purchase (which is different than the GAAP definition, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). To the extent that the Investment Adviser or any of its affiliates provides investment advisory, collateral management or other similar services to a subsidiary of the Company, the base management fee will be reduced by an amount equal to the product of (1) the total fees paid to the Investment Adviser by such subsidiary for such services and (2) the percentage of such subsidiary's total equity, including membership interests and any class of notes not exclusively held by one or more third parties, that is owned, directly or indirectly, by the Company.

SF-25

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TABLE OF CONTENTS

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

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

#### **Note 3. Related Party Transactions (continued)**

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

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

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

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

The income and capital gains incentive fee calculation (the Income and Capital Gain Incentive Fee Calculation) has two parts, the income component (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 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.

SF-26

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TABLE OF CONTENTS

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

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

#### **Note 3. Related Party Transactions (continued)**

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

For the three and nine months ended June 30, 2012, the Company received interest spread payments of \$990 and \$2,560, respectively. For the three months ended December 31, 2011, including the interest spread payments from the TRS in the Income Incentive Fee caused an increase in the Incentive Fee by \$647 as the Company was in the catch-up provision as described below. Upon reviewing the Income and Capital Gain Incentive Fee Calculation and the treatment of the interest spread payments from the TRS, the Investment Adviser irrevocably waived the incremental portion of the Incentive Fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the three months ended June 30, 2012, the Income Incentive Fee was \$1,917. For the nine months ended June 30, 2012, after taking into account the waiver by the Investment Adviser, the Income Incentive Fee was \$4,261, rather than \$4,908. The Income Incentive Fee for the three and nine months ended June 30, 2011 was zero and \$348, respectively.

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

The Company calculates the Income 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.

SF-27

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

#### Note 3. Related Party Transactions (continued)

The sum of these calculations yields the Income Incentive Fee. This amount is appropriately adjusted for any share issuances or repurchases during the quarter.

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

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

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in the Company's portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in the Company's portfolio as of the applicable Capital Gain Incentive Fee calculation date and (b) the accreted or amortized cost basis of such investment.

The Company accrues the Capital Gain Incentive Fee if, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) is positive. The Capital Gain Incentive Fee is calculated on a cumulative basis from the date the Company elected to become a BDC through the end of each calendar year. For the three and nine months ended June 30, 2012, the Capital Gain Incentive Fee was zero. For the three and nine months ended June 30, 2011, the Company accrued a Capital Gain Incentive Fee of \$113 and \$177, respectively.

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

**Administration Agreement:** GBDC has also entered into the Administration Agreement. Under the Administration Agreement, the Administrator furnishes GBDC with office facilities and equipment, provides GBDC with clerical, bookkeeping and record keeping services at such facilities and provides GBDC with other administrative services as

the Administrator, subject to review by the Board, determines necessary to conduct GBDC's day-to-day operations.

GBDC reimburses the Administrator the allocable portion (subject to the review and approval of the Board) of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, fees and expenses associated with performing compliance functions and GBDC's allocable portion of the cost of its chief financial officer and chief compliance officer and their respective staffs. As permitted by the Administration Agreement, beginning January 1, 2012, the Administrator began charging the allocable portion of the cost of the Company's chief 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

SF-28

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TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 3. Related Party Transactions (continued)**

charged by unaffiliated third party asset managers. Under the Administration Agreement, the Administrator also provides on the Company's behalf significant managerial assistance to those portfolio companies to which GBDC is required to provide such assistance and will be paid an additional amount based on the services provided, not to exceed the amount GBDC receives from such portfolio companies.

Included in accounts payable and accrued expenses is \$489 and \$226 as of June 30, 2012 and September 30, 2011, respectively, for accrued allocated shared services under the Administration Agreement. The administrative service fee expense under the Administration Agreement for the three and nine months ended June 30, 2012 was \$489 and \$1,207, respectively. The administrative service fee expense under the Administration Agreement for the three and nine months ended June 30, 2011 was \$224 and \$611, respectively.

**Other related party transactions:** The Investment Manager pays for certain unaffiliated third-party expenses incurred by the Company. Such expenses include postage, printing, office supplies and rating agency fees. These expenses are not marked-up and represent the same amount the Company would have paid had the Company paid the expenses directly. These expenses are subsequently reimbursed in cash.

Total expenses reimbursed to the Investment Manager during the three and nine months ended June 30, 2012 were \$90 and \$289, respectively. Total expenses reimbursed to the Investment Manager during the three and nine months ended June 30, 2011 were \$68 and \$266, respectively.

As of June 30, 2012 and September 30, 2011, included in accounts payable and accrued expenses were \$47 and \$65, respectively, for accrued expenses paid on behalf of the Company by the Investment Manager.

**Note 4. Investments**

Investments consisted of the following:

	June 30, 2012			September 30, 2011		
	Par	Cost	Fair Value	Par	Cost	Fair Value
Senior secured	\$ 265,578	\$ 261,123	\$ 258,751	\$ 212,725	\$ 209,729	\$ 203,831
One stop	237,506	233,973	236,827	178,854	176,393	177,880
Second lien <sup>(1)</sup>	48,783	47,157	48,448	21,922	21,531	21,922
Subordinated debt	75,892	74,658	74,614	46,804	45,888	46,804
Equity	N/A	18,341	17,992	N/A	9,420	9,390
Derivative instruments <sup>(2)</sup>	N/A		149	N/A		(1,986 )

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Total	\$ 627,759	\$ 635,252	\$ 636,781	\$ 460,305	\$ 462,961	\$ 457,841
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(1) Second lien loans include loans structured as first lien last out term loans.

(2) Refer to Note 7 for additional disclosures.

SF-29

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TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 4. Investments (continued)**

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

	June 30, 2012		September 30, 2011	
Cost:				
United States				
Mid-Atlantic	\$ 61,844	9.8 %	\$ 66,782	14.4 %
Midwest	131,091	20.6	112,550	24.3
West	133,590	21.0	80,242	17.3
Southeast	170,962	26.9	89,133	19.3
Southwest	85,333	13.4	74,907	16.2
Northeast	49,233	7.8	36,599	7.9
Canada	3,199	0.5	2,748	0.6
Total	\$ 635,252	100.0 %	\$ 462,961	100.0 %
Fair Value:				
United States				
Mid-Atlantic	\$ 58,570	9.2 %	\$ 66,906	14.5 %
Midwest	131,125	20.6	112,534	24.5
West	135,005	21.2	78,329	17.0
Southeast	173,478	27.2	89,735	19.5
Southwest	86,624	13.6	72,467	15.8
Northeast	50,006	7.9	37,057	8.1
Canada	1,824	0.3	2,799	0.6
Total	\$ 636,632	100.0 %	\$ 459,827	100.0 %

SF-30

TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 4. Investments (continued)**

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

	June 30, 2012			September 30, 2011		
Cost:						
Aerospace and Defense	\$2,517	0.4	%	\$2,513	0.5	%
Automobile	24,250	3.8		8,255	1.8	
Banking	1,318	0.2		1,237	0.3	
Beverage, Food and Tobacco	53,399	8.4		31,467	6.8	
Broadcasting and Entertainment	4,960	0.8				
Buildings and Real Estate	6,820	1.1		24,522	5.3	
Cargo Transport	1,837	0.3		2,137	0.4	
Chemicals, Plastics and Rubber	6,762	1.0		13,868	3.0	
Containers, Packaging and Glass	4,478	0.7		4,725	1.0	
Diversified Conglomerate Manufacturing	30,556	4.8		28,550	6.2	
Diversified Conglomerate Service	88,160	13.9		50,904	11.0	
Diversified Natural Resources, Precious Metals and Minerals	4,529	0.7		4,753	1.0	
Electronics	63,919	10.0		36,293	7.8	
Farming and Agriculture	2,819	0.4		2,931	0.6	
Finance	7,095	1.1		7,145	1.5	
Healthcare, Education and Childcare	115,455	18.2		88,436	19.1	
Home and Office Furnishings, Housewares and Durable Consumer	6,365	1.0		11,490	2.5	
Leisure, Amusement, Motion Pictures and Entertainment	33,233	5.2		22,772	4.9	
Oil and Gas				16,460	3.6	
Personal and Non-Durable Consumer Products	20,754	3.3		22,752	4.9	
Personal, Food and Miscellaneous Services	39,705	6.3		19,247	4.2	
Personal Transportation	12,533	2.0				
Printing and Publishing	13,857	2.2		14,643	3.2	
Retail Stores	81,830	12.9		43,454	9.4	
Telecommunications	3,000	0.5		4,407	1.0	
Utilities	5,101	0.8				
Total	\$635,252	100.0%		\$462,961	100.0%	

SF-31

TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 4. Investments (continued)**

	June 30, 2012		September 30, 2011	
Cost:				
Fair Value:				
Aerospace and Defense	\$2,664	0.4 %	\$2,664	0.6 %
Automobile	24,477	3.9	8,096	1.8
Banking	497	0.1	928	0.2
Beverage, Food and Tobacco	54,260	8.5	31,790	6.9
Broadcasting and Entertainment	4,919	0.8		
Buildings and Real Estate	5,683	0.9	20,924	4.6
Cargo Transport	1,859	0.3	2,102	0.5
Chemicals, Plastics and Rubber	6,815	1.1	13,990	3.0
Containers, Packaging and Glass	4,540	0.7	4,803	1.0
Diversified Conglomerate Manufacturing	31,173	4.9	28,335	6.2
Diversified Conglomerate Service	89,474	14.1	51,332	11.2
Diversified Natural Resources, Precious Metals and Minerals	4,653	0.7	4,881	1.1
Electronics	65,020	10.2	36,614	8.0
Farming and Agriculture	2,853	0.4	2,972	0.6
Finance	3,406	0.5	6,784	1.5
Healthcare, Education and Childcare	117,162	18.4	86,523	18.8
Home and Office Furnishings, Housewares and Durable Consumer	6,326	1.0	11,536	2.5
Leisure, Amusement, Motion Pictures and Entertainment	32,482	5.1	23,178	5.0
Oil and Gas			16,737	3.6
Personal and Non-Durable Consumer Products	20,640	3.2	22,880	5.0
Personal, Food and Miscellaneous Services	39,993	6.3	19,377	4.2
Personal Transportation	12,774	2.0		
Printing and Publishing	14,038	2.2	14,875	3.2
Retail Stores	82,867	13.0	44,153	9.6
Telecommunications	2,881	0.5	4,353	0.9
Utilities	5,176	0.8		
Total	\$636,632	100.0%	\$459,827	100.0%

SF-32

TABLE OF CONTENTS

## 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, an asset's or a liability's categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The Company assesses the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfers. There were no transfers among level 1, 2 and 3 investments during the nine months ended June 30, 2012 and 2011. 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.

Cash and cash equivalents held at large financial institutions and futures contracts that are valued based on quoted market prices in active markets are categorized in Level 1 of the fair value hierarchy. All other assets and liabilities as of June 30, 2012 and September 30, 2011 were valued using Level 3 inputs of the fair value hierarchy. 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.

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

SF-33

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TABLE OF CONTENTS

## **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 (continued)**

payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made and other relevant factors. In addition, for certain debt and equity investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be willing to accept for an investment. The Company generally uses the midpoint of the bid/ask range as its best estimate of fair value of such investment.

On April 11, 2012, the Company terminated its TRS with Citibank. As of June 30, 2012, the Company had a receivable of \$74 for accrued interest from the TRS, which will be paid in September 2012. As of September 30, 2011, the TRS had a value of \$(141). The referenced portfolio of loans of the TRS were valued by Citibank. Citibank based its valuation on the indicative bid prices provided by an independent third party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations were sent to the Company and its Board for review and testing. The Board reviewed and approved the value of the TRS, as well as the value of the loans underlying the TRS, on a quarterly basis as part of its quarterly determination of net asset value. For additional disclosures on the Company's TRS, refer to Note 7 - Derivative Instruments.

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

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

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

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



SF-34

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TABLE OF CONTENTS**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 (continued)**

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

As of June 30, 2012: Description	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt investments <sup>(1)</sup>	\$	\$	\$ 618,640	\$ 618,640
Equity investments <sup>(1)</sup>			17,992	17,992
Derivative instruments <sup>(2)</sup>	75		74	149
Cash and cash equivalents	63,129			63,129
	\$ 63,204	\$	\$ 636,706	\$ 699,910

  

As of September 30, 2011: Description	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt investments <sup>(1)</sup>	\$	\$	\$ 450,437	\$ 450,437
Equity investments <sup>(1)</sup>			9,390	9,390
Derivative instruments <sup>(2)</sup>	(141 )		(1,845 )	(1,986 )
Cash and cash equivalents	69,766			69,766
	\$ 69,625	\$	\$ 457,982	\$ 527,607

(1) Refer to the consolidated schedule of investments for further details.

(2) Derivative instruments include futures contracts and the TRS. Refer to Note 7 for additional disclosures. The net change in unrealized appreciation for the three and nine months ended June 30, 2012 reported within the net change in unrealized appreciation (depreciation) on investments and the net change in unrealized appreciation (depreciation) on derivative instruments in the Company's consolidated statements of operation attributable to the Company's Level 3 assets was \$2,200 and \$5,499, respectively. The net change in unrealized appreciation (depreciation) reported within the net change in unrealized appreciation (depreciation) on investments and the net change in unrealized appreciation (depreciation) on derivative instruments in the Company's consolidated statements of operation attributable to the Company's Level 3 assets for the three and nine months ended June 30, 2011 was \$497 and \$(4), respectively.

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

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	Nine months ended June 30, 2012			
	Debt	Equity	Derivative	Total
	Investments	Investments	Instruments <sup>(1)</sup>	
Fair value, beginning of period	\$450,437	\$9,390	\$ (1,845 )	\$ 457,982
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	3,428	152	1,919	5,499
Realized (loss) gain on investments and derivative instruments	(5,003 )	1	3,779	(1,223 )
Fundings of revolving loans, net	2,438			2,438
Fundings of investments	284,429	8,515		292,944
Proceeds from principal payments and sales of portfolio investments	(120,536)	(66 )		(120,602)
Proceeds from derivative instruments <sup>(1)</sup>			(3,779 )	(3,779 )
Amortization of discount and premium	3,447			3,447
Fair value, end of period	\$618,640	\$ 17,992	\$ 74	\$ 636,706

(1)

Refer to Note 7 for additional disclosures.

SF-35

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TABLE OF CONTENTS**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 (continued)**

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

Quantitative information about Level 3 Fair Value Measurements				
	Fair value at June 30, 2012	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Senior secured loans <sup>(1)(2)</sup>	\$ 195,258	Market comparable companies	EBITDA multiples	5.0 - 13.5 (6.2)
		Market rate approach	market interest rate	2.7% - 16.0% (5.7%)
One stop loans	\$ 236,827	Market comparable companies	EBITDA multiples	4.7 - 13.0 (8.3)
		Market rate approach	market interest rate	5.2% - 14.5% (8.9%)
Subordinated and second lien loans <sup>(3)(4)</sup>	\$ 109,639	Market comparable companies	EBITDA multiples	6.5 - 11.0 (7.5)
		Market rate approach	market interest rate	8.0% - 21.0% (11.6%)
Equity securities	\$ 17,992	Market comparable companies	EBITDA multiples	5.5 - 13.0 (8.7)

(1) Excludes \$60,685 of loans at fair value, which the Company values using indicative bid and ask prices provided by an independent third party pricing service.

(2) Excludes \$2,808 of non-accrual loans at fair value. These loans were valued on a liquidation basis.

(3) Excludes \$11,988 of loans at fair value, which the Company values using indicative bid and ask prices provided by an independent third party pricing service.

(4) Excludes \$1,435 of non-accrual loans at fair value. These loans were valued on a liquidation basis.

The significant unobservable inputs used in the fair value measurement of the Company's debt and equity securities are earnings before interest, taxes, depreciation and amortization ( EBITDA ) multiples and market interest rates. The Company uses EBITDA multiples on its loans and equity securities to determine any credit gains or losses. Significant

increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement. The Company uses market interest rates for loans to determine if the effective yield on a loan is commensurate with the market yields for that type of loan. If a loan's effective yield is significantly less than the market yield for a similar loan with a similar credit profile, then the resulting fair value of the loan may be lower.

The following are the carrying values and fair values of the Company's debt liabilities as of June 30, 2012 and September 30, 2011.

	As of June 30, 2012		As of September 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt	\$ 329,800	\$ 333,194	\$ 237,683	\$ 240,373

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

#### 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 June 30, 2012, the Company's asset coverage for borrowed amounts was 282.1%.

**Debt Securitization:** On July 16, 2010, the Company completed a \$300,000 term debt securitization ( Debt Securitization ). The notes ( Notes ) offered in the Debt Securitization were issued by Golub Capital BDC 2010-1 LLC (the Issuer ), a subsidiary of Golub Capital BDC 2010-1 Holdings LLC ( Holdings ), a direct subsidiary of the Company, and the Class A Notes and Class B Notes are secured by the assets held by the Issuer. The Debt Securitization was executed through a private placement of \$174,000 of Aaa/AAA Class A Notes of the Issuer which bear interest at three-month LIBOR plus 2.40%. The \$10,000 face amount of Class B Notes bears interest at a rate of three-month LIBOR plus 2.40%, and the \$116,000 face amount of Subordinated Notes does not bear interest. The Class A Notes are included in the June 30, 2012 and September 30, 2011 consolidated statements of financial condition. In partial consideration for the loans transferred to the Issuer as part of the Debt Securitization, Holdings retained all of the Class B and Subordinated Notes totaling \$10,000 and \$116,000, respectively, and all of the membership interests in the Issuer, which Holdings initially purchased for two hundred and fifty dollars.

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

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

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

equal to the total fees that are paid to the Investment Adviser by the Issuer for rendering such collateral management services.

As of June 30, 2012 and September 30, 2011, there were 81 and 79 portfolio companies with a total fair value of \$286,055 and \$284,288, respectively, securing the Notes. The pool of loans in the Debt Securitization must meet certain requirements, including asset mix and concentration, collateral coverage, term, agency rating, minimum coupon, minimum spread and sector diversity requirements.

The interest charged under the Debt Securitization is based on three-month LIBOR, which as of June 30, 2012 was 0.5%. For the three and nine months ended June 30, 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 nine months ended June 30, 2012, interest expense was \$1,269 and \$3,792,

SF-37

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TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 6. Borrowings (continued)**

respectively. Cash paid for interest during the three and nine months ended June 30, 2012 was \$1,303 and \$3,730, respectively. For the three and nine months ended June 30, 2011, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.1% and 3.3%, respectively. For the three and nine months ended June 30, 2011, interest expense was \$1,179 and \$3,789, respectively. Cash paid for interest during the three and nine months ended June 30, 2011 was \$1,176 and \$4,025, respectively.

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

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

**SBA Debentures:** On August 24, 2010, GC SBIC IV, L.P., a wholly owned subsidiary of the Company, received approval for a license from the SBA to operate as an SBIC. As an SBIC, GC SBIC IV, L.P. is subject to a variety of regulations and oversight by the SBA concerning the size and nature of the companies in which it may invest as well as the structures of those investments.

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

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is \$225,000. An affiliate of the Investment Adviser manages another SBIC. As such, it is possible that GC SBIC IV, L.P. will be constrained in its ability to issue SBA-guaranteed debentures in the future if the other affiliated SBIC has already issued such debentures. As of June 30, 2012, the affiliated SBIC licensee had \$90,720 of SBA-guaranteed debentures outstanding, while GC SBIC IV, L.P. had \$123,500 of outstanding SBA-guaranteed debentures. This leaves incremental borrowing capacity of a maximum of \$10,780 of SBA-guaranteed debentures for GC SBIC IV, L.P. and the affiliated SBIC licensee. As of September 30, 2011, GC SBIC IV, L.P. had \$61,300 of outstanding SBA-guaranteed debentures. On August 24, 2010, the date GC SBIC IV, L.P. received its license from the SBA, the SBA restricted the affiliated SBIC licensee from making certain new investments without approval from the SBA. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies. As such, the majority of the incremental borrowing capacity is available



for GC SBIC IV, L.P. The borrowing capacity of GC SBIC IV, L.P. could be expanded further if the affiliated SBIC retires its SBA-guaranteed debentures.

GC SBIC IV, L.P. may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements including an examination by the SBA. As of June 30, 2012, the Company had committed and funded \$75,000 to GC SBIC IV, L.P. and had SBA-guaranteed debentures of \$123,500 outstanding which mature between March 2021 and March 2022. The interest rate on \$100,000 of outstanding debentures was fixed at an average annualized interest rate of 3.5%. The annualized interim financing rate on the remaining \$23,500 of outstanding debentures was 1.8%. For the three and nine months ended June 30, 2012, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.6% and 3.4%, respectively. For the three and nine months ended June 30, 2012, interest

SF-38

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

#### Note 6. Borrowings (continued)

expense was \$989 and \$2,319, respectively. Cash paid for interest during the three and nine months ended June 30, 2012 was zero and \$1,210, respectively. For the three and nine months ended June 30, 2011, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.7% and 2.9%, respectively. For the three and nine months ended June 30, 2011, interest expense was \$256 and \$328, respectively. Cash paid for interest during the three and nine months ended June 30, 2011 was \$zero and \$64, respectively.

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

Under the Credit Facility, which matures on October 21, 2015, the lender has agreed to extend credit to Funding in an aggregate principal amount of \$75,000. Funding's ability to draw under the Credit Facility is scheduled to terminate on October 20, 2012. The period from the closing date until October 20, 2012 is referred to as the reinvestment period.

All amounts outstanding under the Credit Facility are required to be repaid by October 21, 2015. Through the reinvestment period, the Credit Facility bears interest at one-month LIBOR plus 2.25% per annum. After the reinvestment period, the rate will reset to LIBOR plus 2.75% per annum for the remaining term of the Credit Facility.

In addition to the stated interest expense on the Credit Facility, the Company is required to pay a fee of 0.50% per annum on any unused portion of the Credit Facility up to \$30,000 and 2.00% on any unused portion in excess of \$30,000. The Credit Facility is secured by all of the assets held by Funding, and the Company has pledged its interests in Funding as collateral to Wells Fargo Bank, N.A., as the collateral agent, under an ancillary agreement to secure the obligations of the Company as the transferor and servicer under the Credit Facility. Both the Company and Funding have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. Borrowing under the Credit Facility is subject to the leverage restrictions contained in the 1940 Act.

The Company plans to transfer certain loans and debt securities it has originated or acquired from time to time to Funding through a purchase and sale agreement and may cause Funding to originate or acquire loans in the future, consistent with the Company's investment objectives.

As of June 30, 2012 and September 30, 2011, the Company had outstanding debt under the Credit Facility of \$32,300 and \$2,383, respectively. For the three and nine months ended June 30, 2012, the Company had borrowings on the Credit Facility of \$22,900 and \$92,617, respectively, and repayments on the Credit Facility of \$24,800 and \$62,700, respectively. For the three and nine months ended June 30, 2012, the effective annualized average interest rate on outstanding borrowings, which includes amortization of debt financing costs, was 2.9% and 3.0%, respectively. For the three and nine months ended June 30, 2012, interest expense was \$232 and \$629, respectively. Cash paid for interest during the three and nine months ended June 30, 2012 was \$228 and \$597, respectively.

The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and nine months ended June 30, 2012 was \$317,666 and \$297,322, respectively. The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and nine months ended June 30, 2011 was \$206,471 and \$193,250, respectively.

For the three and nine months ended June 30, 2012, the effective annualized average interest rate on the Company's total debt outstanding was 3.6% and 3.5%, respectively. For the three and nine months ended June 30, 2011, the effective annualized average interest rate on the Company's total debt outstanding was 3.2% and 3.2%, respectively.

SF-39

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TABLE OF CONTENTS**Golub Capital BDC, Inc. and Subsidiaries****Notes to Unaudited Consolidated Financial Statements  
(In thousands, except shares and per share data)****Note 6. Borrowings (continued)**

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

	Payments Due by Period				
	Total	Less Than 1 Year	1 3 Years	3 5 Years	More Than 5 Years
Debt Securitization	\$ 174,000	\$	\$	\$	\$ 174,000
SBA debentures	123,500				123,500
Credit Facility	32,300			32,300	
Total borrowings	\$ 329,800	\$	\$	\$ 32,300	\$ 297,500

**Note 7. Derivative Instruments**

The following table summarizes the fair value and location of the Company's derivative instruments on the consolidated statements of financial condition:

	Location	June 30, 2012 Fair Value	September 30, 2011 Fair Value
Futures Contracts	Unrealized appreciation (depreciation) on derivative instruments	\$ 75	\$ (141 )
TRS	Unrealized appreciation (depreciation) on derivative instruments	74	(1,845 )
Total		\$ 149	\$ (1,986 )

The TRS was terminated on April 11, 2012. The balance of \$74 as of June 30, 2012 represents unpaid accrued interest owed to the Company, which will be paid in September 2012.

Realized and unrealized gains and losses on derivative instruments recorded by the Company for the three and nine months ended June 30, 2012 are in the following location on the consolidated statements of operations:

Three months ended June 30, 2012	Nine months ended June 30, 2012	Three months ended June 30, 2012	Nine months ended June 30, 2012

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	Location	Realized Gain (Loss)		Location	Unrealized Gain (Loss)	
Futures Contracts	Net realized gain (loss) on derivative instruments	\$ (960 )	\$ (1,563 )	Net change in unrealized (depreciation) appreciation on derivative instruments	\$ (243 )	\$ 217
TRS	Net realized gain (loss) on derivative instruments	2,188	3,779	Net change in unrealized (depreciation) appreciation on derivative instruments	(1,405)	1,919
		\$ 1,228	\$ 2,216		\$ (1,648)	\$ 2,136

There were no realized gains or losses on derivative instruments for the three and nine months ended June 30, 2011. Unrealized gains and losses on derivative instruments recorded by the Company for the three and nine months ended June 30, 2011 are in the following location on the consolidated statements of operations:

	Location	Three months ended June 30, 2011	Nine months ended June 30, 2011
TRS	Net change in unrealized (depreciation) appreciation on derivative instruments	(262 )	(262 )
		\$ (262 )	\$ (262 )

SF-40

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

#### Note 7. Derivative Instruments (continued)

**Futures contracts:** The Company has entered into ten-year U.S. Treasury futures contracts to mitigate its exposure to adverse fluctuation in interest rates related to the Company's SBA debentures with a total notional amount of \$24,300 as of June 30, 2012. The interest rate on the Company's SBA debentures is fixed semi-annually (each, a pooling date) and is based on the ten-year U.S. Treasury rate plus a market spread. The futures contracts insulate the Company against adverse changes in the ten-year U.S. Treasury rate for SBA debentures that the Company has drawn but for which the rate will not be fixed until the next pooling date. As of June 30, 2012, the Company's cash collateral balance at the broker was \$1,287, which is included in cash collateral on deposit with custodian on the consolidated statements of financial condition.

Based on the daily fluctuation of the fair value of the futures contracts, the Company records an unrealized gain or loss equal to the daily fluctuation in fair value. If market conditions move unexpectedly, the Company may not achieve the anticipated benefits of the futures contracts and may realize a loss. Upon maturity or settlement of the futures contracts, the Company will realize a gain or loss based on the difference of the fair value of the futures contracts at inception and the fair value of the futures contracts at settlement or 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 nine months ended June 30, 2012, the realized loss on settlement of futures contracts was \$(960) and \$(1,563), respectively, and the change in unrealized (depreciation) appreciation related to the futures contracts was \$(243) and \$217, respectively. As of June 30, 2012 and September 30, 2011, the fair value of the futures contracts was \$75 and \$(141), respectively. The futures contracts mature in September 2012. The total volume of futures contracts that the Company entered into for the three and nine months ended June 30, 2012 was two hundred forty-three and seven hundred forty-three, respectively.

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

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

The Company received from Citibank all interest and fees payable in respect of the loans included in the portfolio. The Company paid to Citibank interest at a rate equal to three-month LIBOR plus 1.2% per annum based on the settled notional value of the TRS. Upon termination of the TRS, the Company received from Citibank the net appreciation in the value of the referenced loans. On a quarterly basis, net payment between the Company and

Citibank for interest and realized appreciation and depreciation on the portfolio of loans occurs.

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.

As of June 30, 2012, the fair value of the TRS was \$74, comprised of unpaid accrued interest still owed to the Company under the terms of the TRS. As of September 30, 2011, the fair value of the TRS was \$(1,845), comprised of spread interest income of \$591 and an unrealized loss on the referenced loans of

SF-41

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TABLE OF CONTENTS

## Golub Capital BDC, Inc. and Subsidiaries

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

#### Note 7. Derivative Instruments (continued)

\$(2,436). The change in the fair value of the TRS was \$(1,405) and \$1,919 for the three and nine months ended June 30, 2012, respectively. The change in the fair value of the TRS was \$(262) and \$(262) for the three and nine months ended June 30, 2011, respectively. Realized gains on the TRS for the three months ended June 30, 2012 were \$2,188, which consisted of spread interest income of \$990 and a realized gain of \$1,198 on the sale of the referenced loans. Realized gains on the TRS for the nine months ended June 30, 2012 were \$3,779, which consisted of spread interest income of \$2,560 and a realized gain of \$1,219 on the sale of the referenced loans. There were no realized gains or losses on the TRS for the three and nine months ended June 30, 2011.

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

#### Note 8. Commitments and Contingencies

**Commitments:** The Company had outstanding commitments to fund investments totaling \$52,034 and \$49,449 under various undrawn revolvers and other credit facilities as of June 30, 2012 and September 30, 2011, respectively.

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

**Off-balance sheet risk:** Off-balance sheet risk refers to an unrecorded potential liability that may result in a future obligation or loss, even though it does not appear on the statements of financial condition. The Company's derivative instruments 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 these 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 is engaged 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.

SF-42

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TABLE OF CONTENTS**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:

	Nine months ended June 30,			
	2012		2011	
Per share data <sup>(1)</sup> :				
Net asset value at beginning of period	\$ 14.56		\$ 14.71	
Net increase in net assets as a result of public offering	0.04		0.06	
Costs related to public offering	(0.03)	)	(0.04)	)
Dividends and distributions declared	(0.96)	)	(0.95)	)
Net investment income	0.84		0.86	
Net realized (loss) gain on investments	(0.21)	)	0.11	
Net realized gain (loss) on derivative instruments	0.09			
Net change in unrealized appreciation (depreciation) on investments	0.15			
Net change in unrealized appreciation (depreciation) on derivative instruments	0.10			
Net asset value at end of period	\$ 14.58		\$ 14.75	
Per share market value at end of period	\$ 15.09		\$ 14.93	
Total return based on market value <sup>(2)</sup>	8.08	%	3.79	%
Total return based on average net asset value*	8.73	%	6.52	%
Shares outstanding at end of period	25,663,009		21,733,903	
Ratios/Supplemental Data:				
Ratio of expenses (without incentive fees) to average net assets*	6.56	%	5.43	%
Ratio of incentive fees to average net assets <sup>(3)</sup>	1.62	%	0.25	%
Ratio of total expenses to average net assets <sup>(3)</sup>	8.18	%	5.68	%
Ratio of net investment income to average net assets*	7.62	%	7.77	%
Net assets at end of period	\$ 374,211		\$ 320,523	
Average debt outstanding	\$ 297,322		\$ 193,250	
Average debt outstanding per share	\$ 11.59		\$ 8.89	
Portfolio turnover*	28.28	%	64.52	%

\* 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 nine months ended June 30, 2012, the Investment Adviser irrevocably waived \$647 of incentive fees attributable to the TRS. Had the Investment Advisor 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 1.86% and 8.42%, respectively, for the nine months ended June 30, 2012.

SF-43

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TABLE OF CONTENTS**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 nine months ended June 30, 2012 and 2011:

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Earnings available to stockholders	\$5,393	\$6,520	\$23,014	\$18,358
Basic and diluted weighted average shares outstanding	25,639,680	21,319,348	23,803,762	18,923,395
Basic and diluted earnings per share	\$0.21	\$0.31	\$0.97	\$0.97

**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 three and nine months ended June 30, 2012 and 2011:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Nine months ended June 30, 2011						
12/08/2010	12/20/2010	12/30/2010	\$ 0.31	\$ 5,028	25,753	\$ 462
2/8/2011	3/18/2011	3/30/2011	\$ 0.32	\$ 5,375	17,779	\$ 303
5/3/2011	6/17/2011	6/29/2011	\$ 0.32	\$ 6,583	24,670	\$ 364
Nine months ended June 30, 2012						
12/07/2011	12/19/2011	12/29/2011	\$ 0.32	\$ 6,580	25,052	\$ 375
2/2/2012	3/16/2012	3/29/2012	\$ 0.32	\$ 7,381	55,416	\$ 805
5/1/2012	6/15/2012	6/29/2012	\$ 0.32	\$ 7,858	23,575	\$ 347

**Note 12. Subsequent Events**

The Company has evaluated subsequent events through the date these financial statements were issued and has determined that there are no subsequent events that require disclosure except for the following:

On August 2, 2012, the Company's Board declared a quarterly distribution of \$0.32 per share payable on September 27, 2012 to holders of record as of September 13, 2012.

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On August 6, 2012, the Company announced an At the Market ( ATM ) program to sell up to \$50 million of shares of its common stock. An ATM offering is a registered offering by a publicly traded issuer of its listed equity securities selling shares directly into the market at market prices. The Company engaged Wells Fargo Securities and UBS Investment Bank as its placement agents under the ATM program.

SF-44

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TABLE OF CONTENTS

**PROSPECTUS**

**\$500,000,000**

**GOLUB CAPITAL BDC, INC.**

**Common Stock**

**Preferred Stock**

**Warrants**

**Subscription Rights**

**Debt Securities**

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. Our investment objective is to provide our stockholders with current income and capital appreciation through debt and minority equity investments in middle-market companies.

GC Advisors LLC serves as our investment adviser. GC Service Company, LLC serves as our administrator. GC Advisors LLC and GC Service Company, LLC are affiliated with Golub Capital, a leading lender to middle-market companies that had over \$5.0 billion of capital under management as of September 30, 2011.

We may offer, from time to time, in one or more offerings or series, together or separately, up to \$500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities, which we refer to, collectively, as the securities. We may sell our common stock through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock exclusive of any underwriting commissions or discounts will not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders and approval of our board of directors, or (3) under such circumstances as the Securities and Exchange Commission, or the SEC, may permit. See Risk Factors for more information.

Our common stock is traded on The NASDAQ Global Select Market under the symbol GBDC. The last reported closing price for our common stock on January 26, 2012 was \$15.71 per share. The net asset value of our common

stock on September 30, 2011 (the last date prior to the date of this prospectus on which we determined net asset value) was \$14.56 per share.

**Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering. Investing in our securities involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in our securities, including the risk of leverage, in Risk Factors beginning on page 14 of this prospectus.**

This prospectus contains important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the SEC. We maintain a website at <http://www.golubcapitalbdc.com> and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. You may also obtain such information and make shareholder inquiries by contacting us at 150 South Wacker Drive, Suite 800, Chicago, Illinois 60606, Attention: Investor Relations, or by calling us collect at (312) 205-5050. The SEC also maintains a website at <http://www.sec.gov> that contains such information.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.**

The date of this prospectus is January 30, 2012.

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TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law.

**TABLE OF CONTENTS**

<u>PROSPECTUS SUMMARY</u>	<u>1</u>
<u>FEES AND EXPENSES</u>	<u>10</u>
<u>RISK FACTORS</u>	<u>14</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>42</u>
<u>USE OF PROCEEDS</u>	<u>43</u>
<u>DISTRIBUTIONS</u>	<u>44</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>45</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS</u>	<u>47</u>
<u>PRICE RANGE OF COMMON STOCK</u>	<u>69</u>
<u>THE COMPANY</u>	<u>70</u>
<u>PORTFOLIO COMPANIES</u>	<u>81</u>
<u>MANAGEMENT</u>	<u>92</u>
<u>MANAGEMENT AGREEMENTS</u>	<u>99</u>
<u>RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS</u>	<u>108</u>
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	<u>111</u>
<u>DETERMINATION OF NET ASSET VALUE</u>	<u>114</u>
<u>DIVIDEND REINVESTMENT PLAN</u>	<u>116</u>
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>118</u>
<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	<u>125</u>
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	<u>130</u>
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	<u>131</u>
<u>DESCRIPTION OF WARRANTS</u>	<u>133</u>
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	<u>135</u>
<u>REGULATION</u>	<u>146</u>
<u>CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR</u>	<u>153</u>
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	<u>153</u>
<u>PLAN OF DISTRIBUTION</u>	<u>154</u>
<u>LEGAL MATTERS</u>	<u>156</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>156</u>
<u>AVAILABLE INFORMATION</u>	<u>156</u>
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>F-1</u>



TABLE OF CONTENTS

## **ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the SEC using the shelf registration process.

Under the shelf registration process, we may offer from time to time up to \$500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our common stock through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus, and the prospectus and prospectus supplement will together serve as the prospectus. Please carefully read this prospectus and any prospectus supplement, together with any exhibits, before you make an investment decision. Any exhibits will nonetheless be summarized in the prospectus or applicable prospectus supplement.

TABLE OF CONTENTS

## PROSPECTUS SUMMARY

*This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the more detailed information set forth under "Risk Factors" and the other information included in this prospectus carefully.*

### **Except as otherwise indicated, the terms:**

*we, us, our and Golub Capital BDC* refer to Golub Capital BDC, Inc., a Delaware corporation, and its consolidated subsidiaries, including the Securitization Issuer and Holdings, and, for the periods prior to consummation of the BDC Conversion (as defined below), Golub Capital BDC LLC, a Delaware limited liability company, and its consolidated subsidiaries;

*Holdings* refers to Golub Capital BDC 2010-1 Holdings LLC, our direct subsidiary, and *Securitization Issuer* refers to Golub Capital BDC 2010-1 LLC, our indirect subsidiary;

*Controlling Class* refers to the most senior class of notes of the Securitization Issuer then outstanding;

*Debt Securitization* refers to the \$300 million term debt securitization that we completed on July 16, 2010;

*GC Advisors* refers to GC Advisors LLC, our investment adviser;

*GC Service* refers to GC Service Company, LLC, an affiliate of GC Advisors and our administrator; and *Golub Capital* refers, collectively, to the activities and operations of Golub Capital Incorporated and Golub Capital LLC (formerly Golub Capital Management LLC), which entities employ all of Golub Capital's investment professionals, as well as GC Advisors, GC Service, associated investment funds and their respective affiliates.

*On April 13, 2010, we converted from a limited liability company into a corporation. In this conversion, Golub Capital BDC, Inc. succeeded to the business of Golub Capital BDC LLC and its consolidated subsidiary, and the members of Golub Capital BDC LLC became stockholders of Golub Capital BDC, Inc. In this prospectus, we refer to such transactions as the BDC Conversion. Prior to the BDC Conversion, Golub Capital BDC LLC held all of the outstanding limited liability company interests in our predecessor, Golub Capital Master Funding LLC, or GCMF.*

## Golub Capital BDC

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. We were formed in November 2009 to continue and expand the business of our predecessor, GCMF, which commenced operations in July 2007, to make investments in senior secured, unitranche (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), mezzanine (a loan that ranks senior only to a borrower's equity securities and ranks junior to all of such borrower's other indebtedness in priority of payment), second lien loans and equity securities of middle-market companies that are, in most cases, sponsored by private equity firms. In this prospectus, the term *middle-market* generally refers to companies having earnings before interest, taxes, depreciation and amortization, or EBITDA, of between \$5 million and \$50 million annually.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$5.0 billion of capital under management as of September 30, 2011, (2) selecting investments within our core middle-market company focus, (3) partnering with experienced private equity firms, or sponsors, in



## TABLE OF CONTENTS

the past, (4) implementing the disciplined underwriting standards of Golub Capital and (5) drawing upon the aggregate experience and resources of Golub Capital.

As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% unitranche loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity. Over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets.

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

In the current environment, we continue to focus on unitranche investments given the greater principal protection from the first lien nature of these loans. However, we have recently seen some compelling risk/reward opportunities in mezzanine debt.

## **Our Adviser**

Our investment activities are managed by our investment adviser, GC Advisors. GC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. GC Advisors was organized in September 2008 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. Under our amended and restated investment advisory agreement with GC Advisors, or the Investment Advisory Agreement, we pay GC Advisors a base management fee and an incentive fee for its services. See Management Agreements Management Fee for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to GC Advisors. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average-adjusted gross assets (including 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, therefore, GC Advisors benefits when we incur debt or use leverage. 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 definition under U.S. Generally Accepted Accounting Principles, or GAAP, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). Additionally, under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because it determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See Management Agreements Board Approval of the Investment Advisory Agreement.

GC Advisors is an affiliate of Golub Capital and has entered into a staffing agreement, or the Staffing Agreement, with two Golub Capital affiliates, Golub Capital Incorporated and Golub Capital Management LLC. Under the Staffing Agreement, these companies make experienced investment professionals available to GC Advisors and provide access to the senior investment personnel of Golub Capital and its affiliates. The Staffing Agreement provides GC Advisors with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by Golub Capital and its affiliates in the ordinary course of their businesses and commits the members of GC Advisors investment committee to serve in that capacity. As our investment adviser, GC Advisors is obligated to allocate investment opportunities among us and its other clients fairly and equitably over time in accordance with its allocation policy. See Related Party Transactions and Certain

2

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## TABLE OF CONTENTS

Relationships. However, there can be no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time. GC Advisors seeks to capitalize on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of Golub Capital's investment professionals.

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

## **About Golub Capital**

Golub Capital, founded in 1994, is a leading lender to middle-market companies, with a long track record of investing in unitranche and junior capital financings, which is our long-term investment focus. Golub Capital invested more than \$2.6 billion in unitranche and mezzanine transactions across a variety of market environments and industries between 2001 and September 30, 2011. From 2005 through 2010, Golub Capital invested in more than 250 middle-market companies and, as of September 30, 2011, it held debt investments in more than 160 middle-market companies.

Golub Capital's middle-market lending group is managed by a four-member senior management team consisting of Lawrence E. Golub, David B. Golub, Gregory W. Cashman and Andrew H. Steerman. As of September 30, 2011, Golub Capital's 52 investment professionals had an average of over 11 years of investment experience and were supported by 75 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

## **Market Opportunity**

We intend to pursue an investment strategy focused on investing in senior secured, unitranche, mezzanine and second lien loans of, and warrants and minority equity securities in, U.S. middle-market companies.

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

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

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

*Pricing and Deal Structures.* We believe that as a result of current macroeconomic issues such as the downgrade of U.S. debt, a weakened U.S. economy and the European sovereign debt crisis, there has been reduced access to, and availability of, debt capital to middle-market companies, which has resulted in a widening of interest spreads, more conservative deal structures and stronger covenants. We believe these market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

## **Competitive Strengths**

*Deep, Experienced Management Team.* We are managed by GC Advisors, which has access through the Staffing Agreement to the resources and expertise of Golub Capital's 127 employees, led by our chairman, Lawrence E. Golub, and our chief executive officer, David B. Golub. As of September 30, 2011, the 52 investment professionals of Golub Capital had an average of over 11 years of investment experience and were

TABLE OF CONTENTS

supported by 75 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. Golub Capital seeks to hire and retain high-quality investment professionals and reward those personnel based on investor returns. In 2009, *Buyouts Magazine* named Golub Capital Middle-Market Lender of the Year for the second consecutive year and *M&A Advisor* named Golub Capital the Mezzanine Financing Agent of the Year in 2009. These awards do not constitute an endorsement by any such publication or organization of the securities being offered by this prospectus.

*Leading U.S. Debt Platform Provides Access to Proprietary Relationship-Based Deal Flow.* GC Advisors gives us access to the deal flow of Golub Capital, one of the leading middle-market lenders in the United States. Reuters Loan Pricing Corporation ranked Golub Capital as the leading senior lender for middle-market leveraged buyouts (total debt financing of under \$100 million) for 2009, based both on deal volume and number of deals. Since its inception, Golub Capital has closed deals with over 170 middle-market sponsors and repeat transactions with over 80 sponsors. We believe that Golub Capital receives relationship-based early looks and last looks at many investment opportunities in the U.S. middle-market market, allowing it to be highly selective in the transactions it pursues.

*Disciplined Investment and Underwriting Process.* GC Advisors utilizes the established investment process of Golub Capital for reviewing lending opportunities, structuring transactions and monitoring investments. Using its disciplined approach to lending, GC Advisors seeks to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and the implementation of restrictive debt covenants.

*Regimented Credit Monitoring.* Following each investment, GC Advisors implements a regimented credit monitoring system. This careful approach, which involves ongoing review and analysis by teams of professionals, has enabled us to identify problems early and to assist borrowers before they face difficult liquidity constraints.

*Concentrated Middle-Market Focus.* Because of our focus on the middle-market, we understand the following general characteristics of middle-market lending:

middle-market companies are generally less leveraged than large companies and, we believe, offer more attractive investment returns in the form of upfront fees, prepayment penalties and higher interest rates;  
middle-market issuers are more likely to have simple capital structures;  
carefully structured covenant packages enable middle-market lenders to take early action to remediate poor financial performance; and  
middle-market lenders can undertake thorough due diligence investigations prior to investment.



TABLE OF CONTENTS

## Organizational Structure

The following shows a simplified organizational chart reflecting our relationship with our investment adviser and administrator and our direct and indirect ownership interests in certain of our subsidiaries, including the membership interests of the Securitization Issuer, as of the date of this prospectus:

## Recent Developments

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

Under the Credit Facility, which matures on October 21, 2015, the lender has agreed to extend credit to Funding in an aggregate principal amount of \$75 million. The Credit Facility is secured by all of the assets held by Funding. Funding's ability to draw under the Credit Facility is scheduled to terminate on October 20, 2012. The period from the closing date until October 20, 2012 is referred to as the reinvestment period. All amounts outstanding under the Credit Facility are required to be repaid by October 21, 2015. Through the reinvestment period, the Credit Facility bears interest at an annual interest rate equal to LIBOR plus 2.25%. After the reinvestment period, the annual interest rate will reset to LIBOR plus 2.75% for the remaining term of the Credit Facility. See Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows Liquidity and Capital Resources Revolving Credit Facility.

*Exemptive Application to Own an Asset Manager.* We applied for exemptive relief from the SEC on May 19, 2011 and filed an amended application on November 4, 2011 to permit us to continue to hold up to 100% of the outstanding voting interest of a portfolio company at such time as such portfolio company is required to register as an investment adviser under the Advisers Act. We have not yet formed such a subsidiary. In addition, there is no assurance that such relief will be granted or, if granted, the relief would be acceptable to us if the terms under which the SEC grants relief differ from those we proposed.

*Follow-On Equity Offering.* On April 6, 2011, we completed a public offering in which we sold an aggregate of 3,500,000 shares of our common stock at a price per share of \$15.75, resulting in proceeds, net of offering costs but before expenses, to us of approximately \$52.6 million. On May 2, 2011, we issued an additional 453,257 shares of our common stock at the public offering price to cover over-allotments resulting in additional proceeds, net of offering costs but before expenses, of approximately \$6.8 million.

*SBIC License.* On August 24, 2010, our wholly owned subsidiary, GC SBIC IV, L.P., received approval for a license from the U.S. Small Business Administration, or the SBA, to operate as a Small Business Investment Company, or an SBIC. As a wholly owned subsidiary, GC SBIC IV, L.P. may rely on an exclusion from the definition of investment company under the 1940 Act. As such, this subsidiary will not elect to be regulated as a business development company under the 1940 Act. GC SBIC IV, L.P. has an investment objective substantially similar to ours and makes similar types of investments in accordance with SBIC regulations.

TABLE OF CONTENTS

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

As of September 30, 2011, we had committed and funded \$50.0 million of equity capital to GC SBIC IV, L.P. and had SBA debentures of \$61.3 million outstanding, which mature between March 2021 and March 2022. For the year ended September 30, 2011, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.0%. The interest rate on \$20.0 million of outstanding debentures was fixed on March 29, 2011 at an interest rate of 4.5%. The interest rate on \$35.3 million was fixed on September 21, 2011 at an interest rate of 3.3%. Prior to this date, we were charged an interim financing rate of approximately 1.0%. We were also charged an interim financing rate of approximately 1.3% on the remaining \$6.0 million of outstanding debentures.

As of September 30, 2011, we had available commitments of \$38.7 million from the SBA.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is \$225 million. It is possible that GC SBIC IV, L.P. will be constrained in its ability to issue SBA-guaranteed debentures in the future if other Golub Capital SBICs have already issued such debentures. As of September 30, 2011, the two other SBIC licensees operated by Golub Capital had an aggregate of \$123.8 million of SBA-guaranteed debentures outstanding, leaving aggregate borrowing capacity of a maximum of \$39.9 million of SBA-guaranteed debentures for GC SBIC IV, L.P. and the two other SBIC licensees, none of which is required to be allocated to us. The borrowing capacity of GC SBIC IV, L.P. could be expanded if any other Golub Capital SBICs retire their SBA-guaranteed debentures, and the other two SBIC licensees are limited to only making add-on investments in existing portfolio companies, making the majority of the incremental borrowing capacity available to GC SBIC IV, L.P. As of September 30, 2010, GC SBIC IV, L.P. did not have any outstanding SBA-guaranteed debentures. Unless specifically approved by the SBA, the other two licensees were prohibited by the SBA from making new investments when GC SBIC IV, L.P. received its license on August 24, 2010.

On September 13, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage requirement under the 1940 Act to exclude 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.

*Debt Securitization.* On July 16, 2010, we completed a \$300 million term Debt Securitization in which the Securitization Issuer issued \$300 million of notes and, in connection with such issuance, received \$300 million of consideration, consisting of \$62.1 million of cash as well as senior secured and second lien loans (or participations therein) with an aggregate outstanding loan balance of \$237.9 million, which served as the initial collateral for the notes issued by the Securitization Issuer. We use the term debt securitization in this prospectus to describe a form of secured borrowing under which an operating company (sometimes referred to as an originator or sponsor) acquires or originates mortgages, receivables, loans or other assets that earn income, whether on a one-time or recurring basis (collectively, income producing assets), and borrows money on a non-recourse basis against a legally separate pool of loans or other income producing assets. In a typical debt securitization, the originator transfers the loans or income

producing assets to a single-purpose, bankruptcy-remote subsidiary (also referred to as a special purpose entity ), which is established solely for the purpose of holding loans and income producing assets and issuing debt secured by these income producing assets. The formation of a special purpose entity and subsequent issuance of debt is referred to in this prospectus as a structured finance transaction. The special purpose entity completes the borrowing through the issuance of notes secured by the loans or other assets. The special purpose entity may

6

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## TABLE OF CONTENTS

issue the notes in the capital markets to a variety of investors, including banks, non-bank financial institutions and other investors. In the Debt Securitization, an institutional investor purchased the notes issued by the Securitization Issuer in a private placement.

The notes offered in the Debt Securitization were issued by the Securitization Issuer, and the Class A Notes and Class B Notes are secured by the assets held by the Securitization Issuer. The Debt Securitization was executed through a private placement of \$174 million of Aaa/AAA Class A Notes, or the Class A Notes, which bear interest at the three-month London Interbank Offered Rate, or LIBOR, plus 2.40%. The \$10 million face amount of Class B Notes, or Class B Notes, bear interest at a rate of three-month LIBOR plus 2.40%, and the \$116 million face amount of Subordinated Notes, or Subordinated Notes, do not bear interest. All of the notes are scheduled to mature on July 20, 2021. In partial consideration for the loans transferred to the Securitization Issuer as part of the Debt Securitization, Holdings retained all of the Class B Notes and Subordinated Notes issued by the Securitization Issuer, which together totaled \$126 million, and it retained all of the membership interests in the Securitization Issuer, which Holdings initially purchased for \$250. All of the notes are scheduled to mature on July 20, 2021. We use the term retained in this prospectus to describe the acquisition by Holdings of the Class B Notes, the Subordinated Notes and the membership interests issued by the Securitization Issuer. Specifically, Holdings acquired the membership interests in the Securitization Issuer in connection with the initial capitalization of the Securitization Issuer. Holdings then acquired the Class B Notes and the Subordinated Notes from the Securitization Issuer as part of the Debt Securitization in partial consideration for the portfolio loans transferred from Holdings to the Securitization Issuer in the combination sale and contribution transaction described below. These transactions were all completed in reliance on exemptions from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act.

There are risks associated with the Debt Securitization, including:

We hold the Subordinated Notes, the most junior class of notes issued by the Securitization Issuer, which are subordinated in priority of payment to every other class of notes issued by the Securitization Issuer and are subject to certain payment restrictions set forth in the indenture governing the notes;

As the holder of the membership interests in the Securitization Issuer, we are the residual claimant on distributions, if any, made by the Securitization Issuer after holders of all other classes of notes issued by the Securitization Issuer have been paid in full on each payment date or upon maturity of such notes; and

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

For a more detailed discussion of the Debt Securitization, see [Risk Factors](#) [Risks Relating to Our Business and Structure](#) [We are subject to risks associated with the Debt Securitization](#) and [Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows](#) [Liquidity and Capital Resources](#) [Debt Securitization](#).

## **Operating and Regulatory Structure**

Our investment activities are managed by GC Advisors and supervised by our board of directors, a majority of whom are independent of us, GC Advisors and its affiliates.

As a business development company, we are required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of shares of preferred stock, or notes and other borrowings, our ability to use leverage is limited in significant respects. See [Regulation](#). Any decision on our part to use leverage will depend upon our assessment of the attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. GC Advisors makes recommendations to

our board of directors with respect to leverage policies. Our board of directors determines our leverage policy, including approving in advance the incurrence of material indebtedness and the execution of material contracts, and directs GC Advisors to implement such

7

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## TABLE OF CONTENTS

policies. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest that could affect our investment returns Our management and incentive fee structure may create incentives for GC Advisors that are not fully aligned with the interests of our stockholders, Risks Relating to our Business and Structure Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital exposes us to risks, including the typical risks associated with leverage and Risks Relating to our Business and Structure We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Also, as a business development company, we are generally prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt investments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (1) private domestic operating companies, (2) public domestic operating companies whose securities are not listed on a national securities exchange (*e.g.*, the New York Stock Exchange, NYSE Amex Equities and The NASDAQ Global Market) or registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and (3) public domestic operating companies having a market capitalization of less than \$250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies. See Regulation.

## **Conflicts of Interests**

Subject to certain 1940 Act restrictions on co-investments with affiliates, GC Advisors offers us the right to participate in all investment opportunities that it determines are appropriate for us in view of our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other relevant factors. Such offers are subject to the exception that, in accordance with GC Advisors code of ethics and allocation policies, we might not participate in each individual opportunity but will, on an overall basis, be entitled to participate equitably with other entities sponsored or managed by GC Advisors and its affiliates.

To the extent that we compete with entities sponsored or managed by GC Advisors or its affiliates for a particular investment opportunity, GC Advisors will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) its internal conflict of interest and allocation policies, (2) the requirements of the Advisers Act and (3) certain restrictions under the 1940 Act regarding co-investments with affiliates. GC Advisors allocation policies are intended to ensure that, over time, we may generally share equitably in investment opportunities with other investment funds, accounts or other investment vehicles, together referred to as accounts, sponsored or managed by GC Advisors or its affiliates, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer which may be suitable for us and such other accounts.

GC Advisors has historically sponsored or managed, and currently sponsors or manages, accounts with similar or overlapping investment strategies and has put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act. GC Advisors seeks to ensure the equitable allocation of investment opportunities when we are able to invest alongside other accounts sponsored or managed by GC Advisors and its affiliates. When we invest alongside such other accounts, such investments are made consistent with GC Advisors allocation policy. Under this allocation policy, GC Advisors will determine separately the amount of any proposed

investment to be made by us and similar eligible accounts. We expect that these determinations will be made similarly for other accounts sponsored or managed by GC Advisors and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account's proposed investment, the opportunity will be allocated in accordance with GC Advisor's pre-transaction determination. Where there is an insufficient amount of an investment opportunity to fully satisfy us and other accounts sponsored or managed by GC Advisors or its affiliates, the allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on the amount that each such

8

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TABLE OF CONTENTS

party would have invested if sufficient securities or loan amounts were available. In situations in which co-investment with other entities sponsored or managed by GC Advisors or its affiliates is not permitted or appropriate, such as when, in the absence of exemptive relief described below, we and such other entities would be making different investments in the same issuer, GC Advisors will need to decide whether we or such other entity or entities will proceed with the investment. GC Advisors will make these determinations based on its policies and procedures, which generally require that such opportunities be offered to eligible accounts on a basis that will be fair and equitable over time, including, for example, through random or rotational methods. We and GC Advisors have submitted an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by GC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. See Related Party Transactions and Certain Relationships.

GC Advisors and its affiliates have other clients with similar or competing investment objectives, including several private funds that are pursuing an investment strategy similar to ours, some of which are continuing to seek new capital commitments. In serving these clients, GC Advisors may have obligations to other clients or investors in those entities. Our investment objective may overlap with such affiliated accounts. GC Advisors' allocation procedures are designed to allocate investment opportunities among the accounts sponsored or managed by GC Advisors and its affiliates in a manner consistent with its obligations under the Advisers Act. If two or more accounts with similar investment strategies are actively investing, GC Advisors will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. See Risk Factors - Risks Relating to our Business and Structure - Conflicts related to obligations GC Advisors' investment committee, GC Advisors or its affiliates have to other clients. Additionally, under our incentive fee structure, GC Advisors benefits when we recognize capital gains and, because GC Advisors determines when a holding is sold, GC Advisors controls the timing of the recognition of such capital gains. See Risk Factors - Risks Relating to our Business and Structure - Our incentive fee structure may create incentives for GC Advisors that are not fully aligned with the interests of our stockholders. In addition, because the base management fee that we pay to GC Advisors is based on our average adjusted gross assets, including those assets acquired through the use of leverage, GC Advisors has a financial incentive to incur leverage.

Our principal executive offices are located at 150 South Wacker Drive, Suite 800, Chicago, Illinois 60606, and our telephone number is (312) 205-5050. Our corporate website is located at [www.golubcapitalbdc.com](http://www.golubcapitalbdc.com). Information on our website is not incorporated into or a part of this prospectus.



TABLE OF CONTENTS**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The following table excludes one-time fees payable to third parties not affiliated with GC Advisors that were incurred in connection with the Debt Securitization but includes all of the applicable ongoing fees and expenses of the Debt Securitization. Whenever this prospectus contains a reference to fees or expenses paid by us or Golub Capital BDC, or that we will pay fees or expenses, our common stockholders will indirectly bear such fees or expenses.

Stockholder transaction expenses:		
Sales load (as a percentage of offering price)		(1)
Offering expenses (as a percentage of offering price)		(2)
Dividend reinvestment plan expenses	None	(3)
Total stockholder transaction expenses (as a percentage of offering price)		
Annual expenses (as a percentage of net assets attributable to common stock):		
Management fees	1.83	% <sup>(4)</sup>
Incentive fees payable under the Investment Advisory Agreement (20%)	0.11	% <sup>(5)</sup>
Interest payments on borrowed funds	2.07	% <sup>(6)</sup>
Other expenses	1.15	% <sup>(7)</sup>
Total annual expenses	5.16	% <sup>(8)</sup>

- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters or agents, a corresponding prospectus supplement will disclose the applicable sales load.
- The related prospectus supplement will disclose the estimated amount of total offering expenses (which may include offering expenses borne by third parties on our behalf), the offering price and the offering expenses borne by us as a percentage of the offering price.
- (2) The expenses associated with the dividend reinvestment plan are included in Other expenses. See Dividend Reinvestment Plan.
- (3) Our management fee is calculated at an annual rate equal to 1.375% and is based on the average adjusted gross assets (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) at the end of the two most recently completed calendar quarters and is payable quarterly in arrears. See Management Agreements Management Fee. The management fee referenced in the table above is based on actual amounts incurred during the year ended September 30, 2011 by GC Advisors in its capacity as investment adviser to us and collateral manager to the Securitization Issuer.
- (4) GC Advisors, as collateral manager for the Securitization Issuer under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the adjusted 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. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive

fee payable to GC Advisors.

For purposes of this table, the SEC requires that the Management fees percentage be calculated as a percentage of net assets attributable to common stockholders, rather than total assets, including assets that have been funded with borrowed monies because common stockholders bear all of this cost. If the base management fee portion of the Management fees percentage were calculated instead as a percentage of

10

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TABLE OF CONTENTS

our total assets, our base management fee portion of the Management fees percentage would be approximately 1.03% of total assets. The base management fee in the table above is based on net assets of \$316.5 million and leverage of \$237.7 million as of September 30, 2011.

The incentive fee referenced in the table above is based on actual amounts incurred during the year ended September 30, 2011. We have structured the calculation of the incentive fee to include a fee limitation such that no (5) incentive fee will be paid to GC Advisors for any quarter if, after such payment, the cumulative incentive fees paid to GC Advisors since the effective date of our election to become a business development company would be greater than 20.0% of our Cumulative Pre-Incentive Fee Net Income.

We accomplish this limitation by subjecting each quarterly incentive fee payable under the Income and Capital Gain Incentive Fee Calculation 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 GC Advisors by Golub Capital BDC since April 13, 2010, the effective date of our election to become a business development company. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, no incentive fee would be payable in that quarter. Cumulative Pre-Incentive Fee Net Income is equal to the sum of (a) Pre-Incentive Fee Net Investment Income for each period since April 13, 2010, the effective date of our election to be regulated as a business development company, 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, the effective date of our election to be regulated as a business development company.

The income and capital gain incentive fee calculation (the Income and Capital Gain Incentive Fee Calculation) has two parts. The income component is calculated quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For purposes of the computation of the incentive fee, we:

treat the interest spread between the interest received on the reference assets underlying the total return swap, or the TRS, between GCMF and Citibank, N.A., or Citibank, and the interest paid to Citibank on the settled notional value of the TRS as part of the income component of the incentive fee; and  
 treat the realized gains and losses on the sale or maturity of reference assets underlying the TRS and futures contracts as part of the capital gains component of the incentive fee.

Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the income component, it is possible that an incentive fee may be calculated under this formula with respect to a period in which we have incurred a loss. For example, if we receive Pre-Incentive Fee Net Investment Income in excess of the hurdle rate (as defined below) for a calendar quarter, the income component will result in a positive value and an incentive fee will be paid unless the payment of such incentive fee would cause us to pay incentive fees on a cumulative basis that exceed 20.0% of our Cumulative Pre-Incentive Fee Net Income.

Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed hurdle rate of 2.0% quarterly. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our Pre-Incentive Fee Net Investment Income and make it easier for GC Advisors to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. Our Pre-Incentive Fee Net Investment Income used to calculate this part of the incentive fee is also included in the amount of our total assets (excluding cash and cash equivalents but including assets purchased with borrowed funds and securitization-related assets, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian) used to calculate the 1.375% base management fee.



TABLE OF CONTENTS

We calculate the income component of the Income and Capital Gain Incentive Fee Calculation with respect to our Pre-Incentive Fee Net Investment Income quarterly, in arrears, as follows:

zero in any calendar quarter in which the Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate; 100.0% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.5% in any calendar quarter. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle rate but is less than 2.5%) as the catch-up provision. The catch-up is meant to provide GC Advisors with 20.0% of the Pre-Incentive Fee Net Investment Income as if a hurdle rate did not apply if this net investment income exceeds 2.5% in any calendar quarter; and

20.0% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.5% in any calendar quarter.

The sum of these calculations yields the Income Incentive Fee. This amount is appropriately adjusted for any share issuances or repurchases during the quarter.

The second part of the Incentive Fee Calculation (the Capital Gain Incentive Fee) equals (a) 20.0% of our Capital Gain Incentive Fee Base, if any, calculated in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), commencing with the calendar year ending December 31, 2010, less (b) the aggregate amount of any previously paid Capital Gain Incentive Fees. Our Capital Gain Incentive Fee Base equals the sum of (1) our realized capital gains, if any, on a cumulative positive basis from April 13, 2010, the effective date of our election to become a business development company, 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 our portfolio when sold is less than (b) the accreted or amortized cost base of such investment.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gain Incentive Fee calculation date and (b) the accreted or amortized cost basis of such investment.

As described above, the incentive fee will not be paid at any time where after such payment the cumulative incentives fees paid to date would be greater than 20.0% of the Cumulative Pre-Incentive Net Income since April 13, 2010. We will accrue the Capital Gain Incentive Fee if, on a cumulative basis, the sum of net realized gains/(losses) plus net unrealized appreciation/(depreciation) is positive. The Capital Gain Incentive Fee is calculated on a cumulative basis from the date we elected to become a business development company through the end of each calendar year. For the year ended September 30, 2011, the Capital Gain Incentive Fee was zero. For a more detailed discussion of the calculation of the incentive fee, see Management Agreements Management Fee.

(6) Interest payments on borrowed funds represents our annualized interest expense as of September 30, 2011 and includes interest payable on the notes issued by the Securitization Issuer. For the year ended September 30, 2011, the effective annualized average interest rate, which includes all interest and amortization of debt issuance costs on the Debt Securitization, was 3.2%. Debt issuance costs represent fees and other direct incremental costs incurred in connection with the Debt Securitization. These fees include a \$1.74 million one-time structuring and placement fee paid to Wells Fargo Securities, LLC as well as legal fees, accounting fees, rating agency fees, and all other costs associated with the Debt Securitization. We do not currently anticipate issuing debt securities or preferred stock in

the next 12 months.

12

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TABLE OF CONTENTS

There are no commitment fees or minimum usage fees payable under the TRS. The interest expense payable under the TRS has not been included under the Interest payments on borrowed funds line item because the amounts subject to the TRS are not treated as our debt obligations but instead are reflected on our balance sheet as part of the value of the TRS. If the Interest payments on borrowed funds line item were calculated with inclusion of the \$668,181 of interest expense (representing \$167,045 of interest expense paid on the TRS for the quarter ended September 30, 2011, the first full quarter in which the TRS was in effect, annualized for a full year), it would have been 2.28%.

Includes our overhead expenses, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by GC Service and any acquired fund fees and expenses that are not required to be disclosed separately. See Management Agreements Administration Agreement. Other expenses are based on actual amounts incurred during the year ended September 30, 2011. Other expenses also includes the 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 (7) services in connection with the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap.

All of our expenses, including all expenses of the Debt Securitization, are disclosed in the appropriate line items under Annual Expenses (as a percentage of net assets attributable to common stock). Total annual expenses as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase (8) our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and after taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been funded with borrowed monies. The reason for presenting expenses as a percentage of net assets attributable to common stockholders is that our common stockholders bear all of our fees and expenses.

## Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. **This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 52	\$ 155	\$ 257	\$ 512

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5% annual return, would either not be payable or have an immaterial impact on the expense amounts shown above, is not included in the example. Under our Investment Advisory Agreement, no incentive fee would be payable if we have a 5% annual return. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher.

The example assumes that all dividends and other distributions are reinvested at net asset value. Under certain

circumstances, reinvestment of dividends and other distributions under our dividend reinvestment plan may occur at a price per share that differs from net asset value. See [Dividend Reinvestment Plan](#) for more information.



TABLE OF CONTENTS

## **RISK FACTORS**

Investing in our securities involves a number of significant risks. Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus and the applicable prospectus supplement, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment. The risk factors described below are the principal risk factors associated with an investment in us as well as those factors generally associated with an investment company with investment objectives, investment policies, capital structure or trading markets similar to ours.

### **Risks Relating to Our Business and Structure**

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

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

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

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

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

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

TABLE OF CONTENTS

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

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

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

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

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

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

Our ability to achieve our investment objective will depend on our ability to manage our business and to grow. This will depend, in turn, on GC Advisors' ability to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis will depend upon GC Advisors' execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. GC Advisors will have substantial responsibilities under the Investment Advisory Agreement, as well as responsibilities in connection with the management of other accounts

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

sponsored or managed by GC Advisors, members of GC Advisors' investment committee or Golub Capital and its affiliates. The personnel of GC Advisors and its affiliates, including GC Service, may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

TABLE OF CONTENTS

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

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

**GC Advisors investment committee, GC Advisors or its affiliates may, from time to time, possess material nonpublic information, limiting our investment discretion.**

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

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

In the course of our investing activities, we pay management and incentive fees to GC Advisors. These fees are based on our average adjusted gross assets, which include 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. As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our average adjusted gross assets, GC Advisors benefits when we incur debt or use leverage.

Although GC Advisors makes recommendations to our board of directors with respect to leverage policies, our board of directors determines our leverage policy, including approving in advance the incurrence of material indebtedness and the execution of material contracts. Additionally, under the incentive fee structure, GC Advisors benefits when we recognize capital gains and, because GC Advisors determines when a holding is sold, GC Advisors controls the timing of the recognition of such capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interests associated with its management services and compensation. While they are not expected to review or approve each borrowing, our independent directors periodically review GC Advisors' services and fees as well as its portfolio management

## TABLE OF CONTENTS

decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, GC Advisors or its affiliates may from time to time have interests that differ from those of our securityholders, giving rise to a conflict.

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

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

The incentive fee payable by us to GC Advisors may create an incentive for GC Advisors to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement.

The way in which the incentive fee payable to GC Advisors is determined may encourage GC Advisors to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor our stockholders.

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

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

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

The majority of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, our board of directors will determine the fair value of these securities in good faith as described below in [Item 19.1](#). Many of our portfolio investments are recorded at fair value as determined in good faith by our board of

Our incentive fee may induce GC Advisors to make certain investments, including speculative investments. [Item 19.1](#)

directors and, as a result, there may be uncertainty as to the value of our portfolio investments. In connection with that determination, investment professionals from GC Advisors may provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, Lawrence E. Golub and David B. Golub have an indirect pecuniary interest in GC Advisors. The participation of GC Advisors' investment professionals in our valuation process, and the indirect pecuniary interest in GC Advisors by Lawrence E. Golub and David B. Golub, could result in a conflict of interest as GC Advisors' management fee is based, in part, on our average adjusted gross assets (including leverage but excluding cash) and our incentive fees will be based, in part, on unrealized gains and losses.



TABLE OF CONTENTS

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

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

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

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

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

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

We may, however, invest alongside GC Advisors and its affiliates other clients in certain circumstances where doing so is consistent with applicable law and SEC staff, or Staff, interpretations. For example, we may invest alongside such accounts consistent with guidance promulgated by the SEC Staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that GC Advisors, acting on our behalf and on behalf of its other clients, negotiates no term other than price. We may also invest alongside GC Advisors other clients as otherwise permissible under regulatory guidance, applicable regulations and GC Advisors' allocation policy. Under this allocation policy, GC Advisors determines separately the amount of any proposed investment to be made by us and similar eligible accounts. We expect that these determinations will be made similarly for other accounts sponsored or managed by GC Advisors and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account's proposed investment, the opportunity will be

allocated in accordance with GC Advisors' pre-transaction determination. Where there is an insufficient amount of an investment opportunity to fully satisfy us and other accounts sponsored or managed by GC Advisors or its affiliates, the allocation policy further provides that allocations among us and other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available.

However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

In situations in which co-investment with other accounts sponsored or managed by GC Advisors or its affiliates is not permitted or appropriate, such as when, in the absence of exemptive relief described below, we and such other entities may make investments in the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other GC Advisors clients, GC Advisors will

TABLE OF CONTENTS

need to decide whether we or such other entity or entities will proceed with such investments. GC Advisors will make these determinations based on its policies and procedures, which generally require that such investment opportunities be offered to eligible accounts on a basis that is fair and equitable over time, including, for example, through random or rotational methods. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which an account sponsored or managed by GC Advisors or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

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

We and GC Advisors have submitted an application for exemptive relief from the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by GC Advisors or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We believe that co-investments by us and other accounts sponsored or managed by GC Advisors and its affiliates may afford us additional investment opportunities and an ability to achieve greater diversification.

Accordingly, our application for exemptive relief seeks an exemptive order permitting us to invest with accounts sponsored or managed by GC Advisors or its affiliates in the same portfolio companies under circumstances in which such investments would otherwise not be permitted under the 1940 Act. We expect that such exemptive relief permitting co-investments, if granted, would apply only if our independent directors review and approve each co-investment.

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

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

With respect to the investments we make, we do not seek to compete based primarily on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we compete generally on the basis of pricing terms. With respect to all investments, we may lose some investment opportunities if we do not match our competitors pricing,

terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with accounts managed or sponsored by GC Advisors or its affiliates. Although GC Advisors allocates opportunities in accordance with its policies and procedures, allocations to such other accounts will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our securityholders. Moreover, the performance of investments will not be known at the time of allocation. See Risk Factors Risks Relating to Our Business and Structure There are significant potential conflicts of interest that could affect our investment returns, Conflicts

TABLE OF CONTENTS

related to obligations GC Advisors investment committee, GC Advisors or its affiliates have to other clients and Related Party Transactions and Certain Relationships.

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

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and distribution requirements. The distribution requirement for a RIC is satisfied if we distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. We are subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of our qualification as a RIC. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our securityholders. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

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

We may need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to grow. In addition, we are required to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to maintain our qualification as a RIC. As a result, these earnings are not available to fund new investments. An inability to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which may have an adverse effect on the value of our securities.

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

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

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

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to maintain our qualification as a RIC. In such a case, we may have to sell some of our investments at times we

TABLE OF CONTENTS

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

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted as a business development company to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets (other than the SBA debentures of GC SBIC IV, L.P.) less all liabilities and indebtedness not represented by senior securities (other than the SBA debentures of GC SBIC IV, L.P.), after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this ratio. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. As of September 30, 2011, we had \$237.7 million of outstanding borrowings, including \$174.0 million outstanding under the Debt Securitization, \$61.3 million of SBA debentures and \$2.4 million under the Credit Facility.

In the absence of an event of default, no person or entity from which we borrow money will have a veto right or voting power over our ability to set policy, make investment decisions or adopt investment strategies. If we issue preferred stock, which is another form of leverage, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue.

In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock. We do not, however, anticipate issuing preferred stock in the next 12 months.

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

**We are subject to risks associated with the Debt Securitization.**

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

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

Under the terms of the master loan sale agreement governing the Debt Securitization, (1) we sold and/or contributed to Holdings all of our ownership interest in our portfolio loans and participations for the purchase price and other consideration set forth in the master loan sale agreement and (2) Holdings, in turn, sold and/or



## TABLE OF CONTENTS

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

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

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

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

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

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

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

Subordinated Notes and the membership interests.

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

## TABLE OF CONTENTS

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

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

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

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

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

Notes.

**We may not receive cash from the Securitization Issuer.**

We receive cash from the Securitization Issuer only to the extent that Holdings receives payments on the Class B Notes, Subordinated Notes or membership interests. The Securitization Issuer may only make payments on such securities to the extent permitted by the payment priority provisions of the indenture

23

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## TABLE OF CONTENTS

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

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

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

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

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

### **The Securitization Issuer may issue additional Subordinated Notes.**

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

**We are subject to risks associated with the Credit Facility.**

On July 21, 2011, Funding, our wholly owned subsidiary, entered into the Credit Facility. As a result of the Credit Facility, we are subject to a variety of risks, including those set forth below.

**Our interests in Funding are subordinated.**

We own 100% of the equity interests in Funding. We consolidate the financial statements of Funding in our consolidated financial statements and treat the indebtedness of Funding as our leverage. Our interests in Funding are subordinated in priority of payment to every other obligation of Funding and are subject to certain payment restrictions set forth in the Credit Facility. We receive cash distributions on our equity

TABLE OF CONTENTS

interests in Funding only if Funding has made all required cash interest payments to the lenders. We cannot assure you that distributions on the assets held by Funding will be sufficient to make any distributions to us or that such distributions will meet our expectations.

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

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

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

**The ability to sell investments held by Funding is limited.**

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

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

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

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

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. We may issue senior debt securities to banks, insurance companies and other lenders. Lenders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would

expect such lenders to seek recovery against our assets in the event of a default. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause our net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make distributions on our common stock or any outstanding preferred stock. Our ability to service our debt will depend largely on our



TABLE OF CONTENTS

financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the base management fee payable to GC Advisors is payable based on our average adjusted gross assets, including those assets acquired through the use of leverage, GC Advisors has a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the base management fee payable to GC Advisors.

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

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

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

	Assumed Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to common stockholder <sup>(1)</sup>	-20 %	-11 %	-2 %	6 %	15 %

<sup>(1)</sup> Assumes \$559.6 million in total assets, \$237.7 million in debt outstanding and \$316.5 million in net assets as of September 30, 2011 and an effective annual interest rate of 3.3%.

Based on our outstanding indebtedness of \$237.7 million as of September 30, 2011 and the effective annual interest rate of 3.3% as of that date, our investment portfolio would have been required to experience an annual return of at least 1.4% to cover annual interest payments on the outstanding debt.

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

To the extent we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we continue to use debt to finance our investments. In periods of rising interest rates, our cost of funds will increase because the interest rates on the Class A Notes and Class B Notes issued under the Debt Securitization are floating, which could reduce our net investment income to the extent any debt investments have fixed interest rates. We expect that our long-term fixed-rate investments will be financed primarily with

issuances of equity and long-term debt securities. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

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

TABLE OF CONTENTS

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

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

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

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

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

For purposes of determining our compliance with the asset coverage ratio test applicable to us as a business development company, we have agreed with the Staff of the SEC to treat the outstanding notional amount of the TRS, less the initial amount of any cash collateral required to be posted by us under the TRS, as a senior security for the life of that instrument. Further, for purposes of determining our compliance with the 70% qualifying assets requirement of the 1940 Act, we have agreed to treat the TRS, as a whole, as a non-qualifying asset. We may, however, accord different treatment to the TRS in the future in accordance with any applicable new rules or interpretations adopted by the Staff of the SEC.

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

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

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to purchase. In addition, there is a risk that the market value of the

We have entered into a total return swap and may enter into other derivative transactions which expose us to certain

securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements, our net asset value would decline, and, in some cases, we may be worse off than if we had not used such agreements.

**We are currently operating in a period of capital markets disruption and economic downturn.**

The U.S. capital markets have experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. A

TABLE OF CONTENTS

prolonged period of market illiquidity may have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

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

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

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

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

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

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

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

The majority of our portfolio investments take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value these securities at fair value as determined in good faith by our board of directors, including to reflect significant events

affecting the value of our securities. As discussed in more detail under Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows Critical Accounting Policies, most, if not all, of our investments (other than cash and cash equivalents) are classified as Level 3 under Accounting Standards Codification, or ASC, Topic 820, *Fair Value Measurement*. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which may include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We have retained the services of one or more independent service providers to

## TABLE OF CONTENTS

review the valuation of these securities. The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

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

### **We may experience fluctuations in our quarterly operating results.**

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

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

We and our portfolio companies are subject to regulation by laws at the U.S. federal, state and local levels. These laws and regulations, as well as their interpretation, may change from time to time, and new laws, regulations and interpretations may also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business. In particular, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank, became law. The scope of Dodd-Frank impacts many aspects of the financial services industry, and it requires the development and adoption of many implementing regulations over the next several months and years. The effects of Dodd-Frank on the financial services industry will depend, in large part, upon the extent to which regulators exercise the authority granted to them and the approaches taken in implementing regulations. We have begun to assess the potential impact of Dodd-Frank on our business and operations, but the likely impact cannot be ascertained with any degree of certainty.

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

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

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

Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions.



TABLE OF CONTENTS

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

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

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

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

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

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

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

TABLE OF CONTENTS

with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows.

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

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

**Efforts to comply with Section 404 of the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.**

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

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

Our business depends on the communications and information systems of GC Advisors and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our securities and our ability to pay dividends and other distributions to our securityholders.

**Lawrence E. Golub and David B. Golub have substantial control over us.**

As of September 30, 2011, Lawrence E. Golub and David B. Golub beneficially owned, in the aggregate, approximately 42.8% and 42.5%, respectively, of our outstanding common stock, primarily as a result of their ownership interests in and control of Golub Capital LLC, the investment adviser to Golub Capital Company IV, LLC, Golub Capital Company V LLC, Golub Capital Company VI LLC (collectively, the Capital Companies) and GEMS Fund L.P., a limited partnership affiliated with GC Advisors. As a result, these individuals, acting together, may have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets, and may cause actions to be taken that you may not agree with or that are not in your interests or those of other securityholders.

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

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

## **Risks Related to Our Investments**

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

Many of our portfolio companies are susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may

## TABLE OF CONTENTS

decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

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

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

From mid-2007 through 2011, the global capital markets experienced a period of disruption resulting in a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market. These events, along with the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of major financial institutions in the United States, led to a general decline of economic conditions. This economic decline materially and adversely affected the broader financial and credit markets and has reduced the availability of debt and equity capital for the market as a whole and to financial firms, in particular. To the extent that we wish to use debt to fund our investments, the debt capital available to us, if any, may be at a higher cost and on terms and conditions that may be less favorable than what we expect, which could negatively affect our financial performance and results. A prolonged period of market illiquidity may cause us to reduce the volume of loans we originate and/or fund and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows. Any deterioration of current market conditions could materially and adversely affect our business.

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

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

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

Investment in private and middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and we expect to rely on the ability of GC Advisors' investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Middle-market

TABLE OF CONTENTS

companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, our executive officers, directors and GC Advisors may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

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

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

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

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

- a comparison of the portfolio company's securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company's ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and

changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

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

**We have not yet identified the portfolio company investments we will acquire.**

While we currently hold a portfolio of investments, we have not yet identified additional potential investments for our portfolio that we will acquire with the proceeds of any offering of securities pursuant to this prospectus. Privately negotiated investments in illiquid securities or private middle-market companies require substantial due diligence and structuring, and we cannot assure you that we will achieve our



TABLE OF CONTENTS

anticipated investment pace. As a result, you will be unable to evaluate any future portfolio company investments prior to purchasing our shares of common stock. Additionally, GC Advisors selects all of our investments, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our securities.

We anticipate that we will use substantially all of the net proceeds of any offering of our securities within approximately six months following the completion of any offering of our securities, depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions. Until such appropriate investment opportunities can be found, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. We expect these temporary investments to earn yields substantially lower than the income that we expect to receive in respect of investments in senior secured, unitranche, mezzanine and second lien loans and equity securities. As a result, any distributions we make during this period may be substantially smaller than the distributions that we expect to pay when our portfolio is fully invested.

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

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

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

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

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

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

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are ~~not~~ limited

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

TABLE OF CONTENTS

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

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

increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;

exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or preserve or enhance the value of our investment.

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

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

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

**Defaults by our portfolio companies will harm our operating results.**

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

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

We have invested a portion of our capital in second lien and mezzanine loans issued by our portfolio companies and intend to continue to do so in the future. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we

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

TABLE OF CONTENTS

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

We have made in the past, and may make in the future, unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in collateral of such companies. Liens on a portfolio company's collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors.

There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

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

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

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

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

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



TABLE OF CONTENTS

**The disposition of our investments may result in contingent liabilities.**

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

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

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

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

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in the 1940 Act, which are referred to as "qualifying assets," unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. In order for our investments to be classified as "qualifying assets," among other requirements, such investments must be in issuers organized under the laws of, and which have their principal place of business in, any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the United States. Our investment strategy does not presently contemplate investments in securities of non-U.S. companies. As of September 30, 2011 we were invested in the securities of one non-U.S. company and may make additional investments. We may in the future invest in non-U.S. companies, including emerging market issuers, to the limited extent such investments are permitted under the 1940 Act. We expect that these investments would focus on the same types of investments that we make in U.S. middle-market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in securities of emerging market issuers involves many risks including economic, social, political, financial, tax and security conditions in the emerging market, potential inflationary economic environments, regulation by foreign governments, different accounting standards and political uncertainties. Economic, social, political, financial, tax and

security conditions also could negatively affect the value of emerging market companies. These factors could include changes in the emerging market government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities and the possibility of fluctuations in the rate of exchange between currencies.

In September 2011, we entered into ten-year Treasury futures contracts to hedge interest rate risk related to our SBA debentures, and we may engage in additional hedging transactions to the limited extent such



## TABLE OF CONTENTS

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

While we have entered into ten-year Treasury futures contracts to reduce interest rate risks, and may enter into additional hedging transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary.

Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

### **We may not realize gains from our equity investments.**

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

## **Risks Relating to Offerings Pursuant to this Prospectus**

### **Investing in our securities may involve an above average degree of risk.**

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

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

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

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

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay

TABLE OF CONTENTS

distributions might be adversely affected by the impact of one or more of the risk factors described in this prospectus. Due to the asset coverage test applicable to us under the 1940 Act as a business development company, we may be limited in our ability to make distributions.

**The market price of our securities may fluctuate significantly.**

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

significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies; changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs and business development companies;

loss of our qualification as a RIC or business development company;

changes in earnings or variations in operating results;

changes in the value of our portfolio investments;

changes in accounting guidelines governing valuation of our investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of GC Advisors or any of its affiliates' key personnel;

operating performance of companies comparable to us;

general economic trends and other external factors; and

loss of a major funding source.

**If we issue preferred stock, debt securities or convertible debt securities, the net asset value and market value of our common stock may become more volatile.**

We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the net asset value and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in net asset value would also tend to cause a greater decline in the market price for our common stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or units or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we

There is a risk that investors in our equity securities may not receive distributions or that our distributions may not be

would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities.

Holders of preferred

TABLE OF CONTENTS

stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

**We are a holding company and depend on payments from our subsidiaries in order to make payments on any debt securities that we may issue as well as to pay dividends on our common stock. Any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries.**

We are a holding company and fund a majority of our investments through wholly owned subsidiaries, and a majority of the assets that we hold directly are the equity interests in such subsidiaries, including the Subordinated Notes. We depend upon the cash flow from our subsidiaries and the receipt of funds from them in the form of payments on the Subordinated Notes, dividends, and other distributions, any of which may be subject to restriction or limitations based on the organizational documents of the subsidiaries and the agreements governing the debt of any such subsidiary. In addition, because we are a holding company, any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries. In the event that one of our subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, its assets will be used first to satisfy the claims of its creditors. Consequently, any claim by us or our creditors, including holders of any debt securities that we may issue, against any subsidiary will be structurally subordinated to all of the claims of the creditors of such subsidiary. We cannot assure security holders that they will receive any payments required to be made under the terms of any debt securities that we may issue, dividends or other distributions.

**Holders of any preferred stock that we may issue will have the right to elect members of the board of directors and have class voting rights on certain matters.**

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our qualification as a RIC for U.S. federal income tax purposes.

**Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.**

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to this prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

These dilutive effects may be exacerbated if we were to conduct multiple subscription rights offerings, particularly if such offerings were to occur over a short period of time. In addition, subscription rights offerings and the prospect of future subscription rights offerings may create downward pressure on the secondary market price of our common stock due to the potential for the issuance of shares at a price below our net asset value, without a corresponding change to our net asset value.

TABLE OF CONTENTS

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

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

**The trading market or market value of our publicly issued debt securities may fluctuate.**

Our publicly issued debt securities may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

**Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue.**

If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed.

**Our credit ratings may not reflect all risks of an investment in our debt securities.**

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.

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

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



TABLE OF CONTENTS

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

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, or similar words. The forward-looking statements contained in this prospectus involve risks and uncertainties. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as Risk Factors and elsewhere in this prospectus.

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

You should understand that, under Sections 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus, any prospectus supplement or in periodic reports we file under the Exchange Act.

TABLE OF CONTENTS

## **USE OF PROCEEDS**

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities to invest in portfolio companies in accordance with our investment objective and strategies and for general corporate purposes. We expect that our new investments will consist primarily of senior secured, unitranche, mezzanine and second lien loans. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of any offering of our securities.

We anticipate that we will use substantially all of the net proceeds of an offering for the above purposes within approximately six months after the completion of any offering of our securities, depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions. We cannot assure you that we will achieve our targeted investment pace.

Until such appropriate investment opportunities can be found, we will invest the net proceeds of any offering of our securities primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Regulation Temporary Investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

TABLE OF CONTENTS**DISTRIBUTIONS**

To the extent that we have income available, we intend to make quarterly distributions to our stockholders. Our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

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

The following table reflects the cash distributions, including dividends and returns of capital per share that we have paid on our common stock since completion of our initial public offering.

Record Dates	Payment Dates	Distributions Declared	
		Per Share	Dollar amount
(in thousands except per share data)			
Fiscal year ended September 30, 2010			
June 22, 2010	June 29, 2010	\$ 0.24	\$ 4,251
September 10, 2010	September 30, 2010	0.31 <sup>(1)</sup>	5,491
Fiscal year ended September 30, 2011			
December 20, 2010	December 30, 2010	0.31	5,490
March 18, 2011	March 30, 2011	0.32	5,678
June 17, 2011	June 29, 2011	0.32	6,947
September 19, 2011	September 28, 2011	0.32	6,954
Fiscal Year Ended September 30, 2012			
December 19, 2011	December 29, 2011	0.32	6,955
Total		\$ 2.14	\$ 41,766

(1) Includes a return of capital for tax purposes of approximately \$0.06 per share.

We currently intend to distribute net capital gains (*i.e.*, net long-term capital gains in excess of net short-term capital losses), if any, at least annually out of the assets legally available for such distributions. However, we may decide in the future to retain such capital gains for investment and elect to treat such gains as deemed distributions to you. If this happens, you will be treated for U.S. federal income tax purposes as if you had received an actual distribution of the capital gains that we retain and reinvested the net after tax proceeds in us. In this situation, you would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. See Material U.S. Federal Income Tax Considerations Taxation of U.S. Stockholders. We cannot assure you that we will achieve results that will permit us to pay any cash distributions, and if we issue senior securities, we will be prohibited from making distributions if doing so would cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if such distributions are limited by the terms of any of our borrowings.

Unless you elect to receive your distributions in cash, we intend to make such distributions in additional shares of our common stock under our dividend reinvestment plan. 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, investors participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes. If you hold shares of our common stock in the name of a broker or financial intermediary, you should contact such broker or financial intermediary regarding your election to receive distributions in cash in lieu of shares of our common stock. Any distributions reinvested through the issuance of shares through our dividend reinvestment plan will increase our gross assets on which the base management fee and the incentive fee are determined and paid to GC Advisors. See Dividend Reinvestment Plan.

TABLE OF CONTENTS

## **SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data of Golub Capital BDC as of September 30, 2011, 2010, 2009, 2008 and 2007, for the years ended September 30, 2011, 2010, 2009, 2008 and for the period from July 27, 2007 (inception) through September 30, 2007 is derived from the consolidated financial statements that have been audited by McGladrey & Pullen, LLP, independent auditors. For the periods prior to September 30, 2009, the financial data refers to the financial condition and results of operations of our predecessor, GCMF. The financial data should be read in conjunction with our consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Results of Operations, Financial Condition and Cash Flows included elsewhere in this prospectus.

- (1) Includes the financial information of GCMF for the period prior to our conversion to a Delaware corporation.
- (2) Per share data are not provided as we did not have shares of common stock outstanding or an equivalent prior to the initial public offering on April 14, 2010.  
Weighted average yield on income producing investments is computed by dividing (a) annualized interest income
- (3) (other than interest income resulting from amortization of fees and discounts) on accruing loans and debt securities by (b) total income producing investments at fair value.

45

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TABLE OF CONTENTS

46

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TABLE OF CONTENTS

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

*The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with Selected Financial and Other Information and the financial statements and the related notes thereto of us and our predecessor, GCMF, appearing elsewhere in this prospectus. On April 13, 2010, Golub Capital BDC LLC converted from a Delaware limited liability company into a Delaware corporation and elected to be regulated as a business development company under the 1940 Act. In this conversion, which we refer to as the BDC Conversion, Golub Capital BDC, Inc. assumed the business activities of Golub Capital BDC LLC and became the sole surviving entity. As a result of the conversion, GCMF became a wholly owned subsidiary of Golub Capital BDC, Inc. At the time of the BDC Conversion, all limited liability company interests were exchanged for 8,984,863 shares of common stock in Golub Capital BDC, Inc. Immediately prior to the BDC Conversion, the limited liability company interests were owned by investment vehicles managed by Golub Capital. For periods prior to April 13, 2010, the consolidated financial statements and related footnotes reflect the performance of Golub Capital BDC LLC and its predecessor, GCMF. The information in this section contains forward-looking statements that involve risks and uncertainties. Please see Risk Factors and Special Note Regarding Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.*

## Overview

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

On April 14, 2010, we priced our initial public offering, selling 7,100,000 shares of common stock at a public offering price of \$14.50 per share. Concurrent with our initial public offering, we sold an additional 1,322,581 shares through a private placement, also at \$14.50 per share. On May 19, 2010, we issued an additional 305,000 shares at \$14.50 following the exercise of the underwriters' over-allotment option. Our shares are currently listed on The NASDAQ Global Select Market under the symbol GBDC.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$5.0 billion of capital under management as of September 30, 2011, (2) selecting investments within our core middle-market company focus, (3) partnering with experienced private equity firms, or sponsors, in many cases with whom we have invested alongside in the past, (4) implementing the disciplined underwriting standards of Golub Capital and (5) drawing upon the aggregate experience and resources of Golub Capital.

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

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

As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% unitranche loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity. As of September 30, 2010, our portfolio at fair value was comprised of 65.8% senior secured loans, 26.2%



TABLE OF CONTENTS

unitranche loans, 3.3% second lien loans, 3.9% mezzanine loans and 0.8% equity. Over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets.

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

As of September 30, 2011, 2010 and 2009, we had debt investments in 103, 94 and 95 portfolio companies, respectively. For the years ended September 30, 2011, 2010 and 2009, our income producing assets, which represented nearly 100% of our total portfolio, had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 8.6%, 8.4% and 8.1% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 9.9%, 10.9% and 9.0%, respectively.

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

We recognize realized gains or losses on investments based on the difference between the net proceeds from the disposition and the cost basis of the investment or derivative instrument, without regard to unrealized gains or losses previously recognized. We record current period changes in fair value of investments and derivative instruments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in the consolidated statements of operations.

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

organizational expenses;  
calculating our net asset value (including the cost and expenses of any independent valuation firm);

fees and expenses incurred by GC Advisors payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;

48

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TABLE OF CONTENTS

interest payable on debt, if any, incurred to finance our investments and expenses related to unsuccessful portfolio acquisition efforts;

offerings of our common stock and other securities;

investment advisory and management fees;

administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and GC Service based upon our allocable portion of GC Service's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of our chief compliance officer, chief financial officer and their respective staffs);

fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with evaluating and making, investments in portfolio companies, including costs associated with meeting financial sponsors;

transfer agent, dividend agent and custodial fees and expenses;

U.S. federal and state registration fees;

all costs of registration and listing our shares on any securities exchange;

U.S. federal, state and local taxes;

independent directors' fees and expenses;

costs of preparing and filing reports or other documents required by the SEC or other regulators;

costs of any reports, proxy statements or other notices to stockholders, including printing costs;

costs associated with individual or group stockholders;

costs associated with Sarbanes-Oxley Act compliance;

our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;

proxy voting expenses; and

all other expenses incurred by us or GC Service in connection with administering our business.

GC Advisors, as collateral manager for the Securitization Issuer under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the

Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee.

Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term "collection period" refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may be waived by the collateral manager. The

collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the initial structuring of the Debt Securitization. The Securitization Issuer also agreed to pay ongoing administrative expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports and providing required services in connection with the administration of the Debt Securitization. The administrative expenses are paid by the

Securitization Issuer on each payment date in two parts: (1) a

TABLE OF CONTENTS

component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap.

## Portfolio Composition, Investment Activity and Yield

The following table summarizes portfolio composition and investment activity as of and for the years ended September 30, 2011, 2010 and 2009:

	As of and for the years ended September 30,		
	2011	2010	2009
	(In thousands)		
Investments, at fair value	\$ 459,827	\$ 344,869	\$ 376,294
Number of portfolio investments	103	94	95
New investment fundings	\$ 326,260	\$ 144,098	\$ 383,713
Principal payments and sales of portfolio investments	\$ 217,884	\$ 181,850	\$ 104,014

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

- (1) Fourteen and six of our loans include a feature permitting a portion of the interest due on such loan to be PIK interest as of September 30, 2011 and September 30, 2010, respectively.  
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
- (2) or our management has reasonable doubt that principal or interest will be collected. See Critical Accounting Policies Revenue Recognition.
- (3) Second lien loans included \$12.3 million and zero of loans structured as first lien last out term loans as of September 30, 2011 and September 30, 2010, respectively.

TABLE OF CONTENTS

The following table shows the weighted average rate, spread over LIBOR and fees of new investment fundings and the weighted average rate of full principal payments and sales of investments during the years ended September 30, 2011 and 2010:

	For the years ended September 30,	
	2011	2010
Weighted average rate of new investment fundings	8.1 %	8.1 %
Weighted average spread over LIBOR of new investment fundings	6.8 %	6.5 %
Weighted average fees of new investment fundings	1.6 %	1.7 %
Weighted average rate of full principal payments and sales of investments	6.3 %	6.5 %

For the years ended September 30, 2011, 2010 and 2009, 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 8.6%, 8.4% and 8.1%, respectively. As of September 30, 2011, 78.8% and 79.0% of our portfolio at fair value and at cost, respectively, had interest rate floors that limit the minimum applicable interest rates on such loans. As of September 30, 2010, 59.2% and 60.0% of our portfolio at fair value and at cost, respectively, had interest rate floors that limited minimum interest rates on such loans.

## Consolidated Results of Operations

The consolidated results of operations set forth below include historical financial information of our predecessor, GCMF, prior to our election, effective April 14, 2010, to become as a business development company and our election to be treated as a RIC. As a business development company and a RIC, we are also subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code. Also, the management fee that we pay to

GC Advisors under the Investment Advisory Agreement is determined by reference to a formula that differs materially from the management fee paid by GCMF in prior periods. In addition, our portfolio of investments consisted primarily of senior secured and unitranche loans as of September 30, 2011 and 2010, and over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets. For these and other reasons, the results of operations for the years ended September 30, 2011, 2010 and 2009 described below may not be indicative of the results we report in future periods.

Consolidated operating results for the years ended September 30, 2011, 2010 and 2009 are as follows:

	For the years ended September 30,			Variances	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	<b>(In thousands)</b>				
Total investment income	\$39,150	\$33,150	\$33,338	\$6,000	\$(188 )
Total expenses	16,334	9,783	7,860	6,551	1,923
Net investment income	22,816	23,367	25,478	(551 )	(2,111 )
Net realized gains (losses) on investments and derivative instruments	2,037	(40 )	(3,972 )	2,077	3,932
Net change in unrealized (depreciation) appreciation on investments and derivative	(3,514 )	2,921	(1,489 )	(6,435 )	4,410

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instruments					
Net income	\$21,339	\$26,248	\$20,017	\$(4,909 )	6,231
Average portfolio company investments, at fair value	\$406,881	\$307,552	\$371,240	\$99,329	(63,688 )
Average debt outstanding	\$201,294	\$213,793	\$305,440	\$(12,499)	(91,647 )

51

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TABLE OF CONTENTS

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

## Comparison of the Years Ended September 30, 2011, 2010 and 2009

Set forth below are the results of operations for the years ended September 31, 2011, 2010 and 2009.

### Investment Income

Investment income increased from 2010 to 2011 by \$6.0 million as a result of higher average investment balance as well as a higher weighted average yield on the investment portfolio. Investment income was fairly consistent for the year ended September 30, 2010 as compared to the year ended September 30, 2009, despite a decline in average invested assets. This occurred as a result of an increase in the income from amortization of discounts and origination fees as a result of increased payoff activity and an increase in the average yield of investments. For the year ended September 30, 2011, total investment income consisted of \$34.1 million in interest income from investments and \$5.1 million in income from the amortization of discounts and origination fees. For the year ended September 30, 2010, total investment income consisted of \$25.5 million in interest income from investments and \$7.7 million in income from the amortization of discounts and origination fees. For the year ended September 30, 2009, total investment income consisted of \$27.7 million in interest income and \$5.6 million in income from the amortization of discounts and origination fees.

### Operating Expenses

The following table summarizes our expenses:

	For the years ended September 30,			Variances	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	<b>(In thousands)</b>				
Interest and other debt financing expenses	\$6,550	\$ 3,525	\$ 4,547	\$3,025	\$ (1,022 )
Base management fee	5,789	3,328	2,849	2,461	479
Incentive fee	348	55		293	55
Professional fees relating to registration statement		788		(788 )	788
Professional fees	2,204	1,050	131	1,154	919
Administrative service fee	837	583		254	583
General and administrative expenses	606	454	333	152	121
Total expenses	\$16,334	\$ 9,783	\$ 7,860	\$6,551	\$ 1,923

Interest and other credit facility expenses increased from 2010 to 2011 primarily due to a higher average effective interest rate on outstanding borrowings. The base management fee and the administrative service fee increased as a result of an increase in average assets and average investments from 2010 to 2011. Professional fees increased from 2010 to 2011 primarily due to higher legal, audit, and valuation services, which all increased as a result of being a public entity for a full year in 2011.

Interest and other credit facility expenses were lower in the year ended September 30, 2010 than the year ended September 30, 2009 primarily due to lower average debt outstanding. The base management fee, incentive fee, and administrative service fee all increased for the year ended September 30, 2010 as compared to the year ended September 30, 2009 due to our initial public offering that occurred in April 2010. Following the completion of our initial public offering, we pay management and incentive fees under the Investment Advisory Agreement which provides a higher management fee percentage as compared to amounts previously paid by GCMF. In addition, this agreement provides for the calculation of an incentive fee. Prior to completion of our initial public offering, we did not pay an incentive fee or an administrative service fee. In addition, professional fees increased from 2009 to 2010 primarily due to higher legal, audit and valuation services fees, which all increased as a result of us becoming a public entity.



TABLE OF CONTENTS

Prior to our initial public offering, Golub Capital Incorporated paid for certain expenses on behalf of GCMF, all of which were subsequently reimbursed directly with cash or through a member's equity contribution. Subsequent to the initial public offering, the Investment Adviser, an affiliate of Golub Capital Incorporated, pays for certain expenses incurred by us. These expenses are subsequently reimbursed in cash. The following table summarizes these expenses:

	For the years ended September 30,			Variances	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	<b>(In thousands)</b>				
Total tax expenses reimbursed to Golub Capital Incorporated and the Investment Adviser	\$345	\$ 639	\$ 344	\$(294)	\$ 295
Portion of expenses reimbursed through an equity contribution		225	344	(225)	(119 )

As of September 30, 2011 and 2010, included in accounts payable and accrued expenses is \$0.1 million and \$0.1 million for accrued expenses paid on behalf of us by Golub Capital Incorporated or the Investment Adviser, as applicable.

**Net Realized and Unrealized Gains and Losses**

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

	For the years ended September 30,			Variances	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	<b>(In thousands)</b>				
Net realized gain (loss) on investments	\$1,997	\$(40 )	\$(3,972 )	\$2,037	\$ 3,932
Net realized gain on TRS	40			40	
Net realized (loss) gain	2,037	(40 )	(3,972 )	2,077	3,932
Unrealized depreciation on investments	(8,748)	(8,150 )	(14,652)	(598 )	6,502
Unrealized appreciation on investments	7,220	11,071	13,163	(3,851)	(2,092 )
Unrealized depreciation on TRS	(1,845)			(1,845)	
Unrealized depreciation on financial futures contracts	(141 )			(141 )	
Net change in unrealized (depreciation) appreciation on investments and derivative instruments	\$(3,514)	\$2,921	\$(1,489 )	\$(6,435)	\$ 4,410

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

For the year ended September 30, 2010, we had \$11.1 million in unrealized appreciation on 77 portfolio company investments, which was partially offset by \$8.2 million in unrealized depreciation on 34 portfolio company investments. Unrealized appreciation during the year ended September 30, 2010 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit related adjustments which caused a reduction in fair value.

53

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## TABLE OF CONTENTS

For the year ended September 30, 2009, we had \$14.7 million in unrealized depreciation on 52 portfolio company investments, which was partially offset by \$13.2 million in unrealized appreciation on 63 portfolio company investments. Unrealized appreciation during the year ended September 30, 2009 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit related adjustments which caused a reduction in fair value.

On June 17, 2011, we entered into the TRS with Citibank. The purpose of entering into the TRS was to gain economic exposure to a portfolio of broadly syndicated loans. Generally, under the terms of a total return swap, one party agrees to make periodic payments to another party based on the change in the market value of the assets referenced by the total return swap, which may include a specified security, basket of securities or securities indices during the specified period, in return for periodic payments based on a fixed or variable interest rate. For 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 unrealized depreciation on the TRS, which was \$1.8 million for the year ended September 30, 2011, was a result of mark-to-market adjustments on the broadly syndicated loans referenced in the TRS during our fourth fiscal quarter of 2011. We view the mark-to-market adjustments on the broadly syndicated loans as temporary as the marks were driven by market yield adjustments and were not due to credit issues. Due to the post-September 30, 2011 market rally in the broadly syndicated loan market, as well as an increase in the net interest accrued on the TRS, the unrealized depreciation on the TRS was \$0.5 million as of November 30, 2011, which is a \$1.4 million increase from the fair value at September 30, 2011.

In September 2011, we entered into ten-year U.S. Treasury futures contracts to mitigate our exposure to adverse fluctuation in interest rates related to our SBA debentures. Based on the daily fluctuation of the fair value of the referenced securities of the financial futures, we record an unrealized gain or loss equal to the daily fluctuation in fair value. Upon maturity or settlement of the futures contracts, we will realize a gain or loss based on the difference of the fair value of the financial futures contracts at inception and the fair value of the futures contracts at settlement or maturity. For the year ended September 30, 2011, the unrealized depreciation related to this future was \$0.1 million as a result of the decline in the ten-year U.S. Treasury rate from the date of entrance into the futures contracts to September 30, 2011.

## **Liquidity and Capital Resources**

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

For the year ended September 30, 2011, we experienced a net decrease in cash and cash equivalents of \$14.9 million.

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

For the year ended September 30, 2010, we experienced a net increase in cash and cash equivalents of \$61.2 million.

During the period, net cash provided by operating activities was \$65.9 million, primarily as a result of principal payments and sales of portfolio investments of \$181.9 million and net investment income of \$23.4 million, partially offset by fundings of investments of \$144.1 million. During the same period, cash used in investment activities of \$1.2 million was driven by the change in restricted cash and cash equivalents.

## TABLE OF CONTENTS

Lastly, cash used in financing activities was primarily a result of repayments of debt of \$315.3 million offset by borrowing on debt of \$174.0 million and proceeds from our initial public offering, net of underwriting costs of \$119.0 million.

For the year ended September 30, 2009, there was no change in cash and cash equivalents. During the period we used \$221.4 million in operating activities, primarily as a result of fundings of portfolio investments of \$383.7 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of \$104.0 million, proceeds from revolving loans of \$39.0 million and net investment income of \$25.5 million. During the same period, cash used in investment activities of \$26.4 million was driven by the change in restricted cash and cash equivalents.

Lastly, cash provided by financing activities was \$247.8 million, primarily due to borrowings on debt of \$263.8 million and proceeds from members' equity contributions of \$58.9 million, partially offset by repayments of debt of \$71.5 million.

As of September 30, 2011 and 2010, we had cash and cash equivalents of \$46.4 million and \$61.2 million, respectively. In addition, we had restricted cash and cash equivalents of \$23.4 million and \$31.8 million as of September 30, 2011 and 2010, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. \$21.4 million of our restricted cash and cash equivalents can be used to fund new investments that meet the investment guidelines established in the Debt Securitization, which are described in further detail in Note 6 to our consolidated financial statements, and for the payment of interest expense on the notes issued in the Debt Securitization. \$0.3 million of the restricted cash and cash equivalents is used to fund investments that meet the guidelines under our Credit Facility as well as for the payment of interest expense and revolving debt of the Credit Facility. The remaining \$1.7 million of restricted cash and cash equivalents can be used to fund new investments that meet the regulatory and investment guidelines established by the SBA for our SBIC, which are described in further detail in Note 6 to our consolidated financial statements, and for interest expense and fees on our outstanding SBA debentures.

At September 30, 2011 and September 30, 2010, our investment portfolio included \$1.9 million and \$48.2 million, respectively, in liquid, broadly syndicated loans. We anticipate selling the remaining \$1.9 million in future periods as we find opportunities to redeploy those assets into higher yielding investments. For the years ended September 30, 2011 and 2010, we had sales of broadly syndicated loans aggregating approximately \$61.1 million and \$1.2 million, respectively.

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

We believe we have sufficient liquidity to fund new investments through our long-term, low-cost and highly flexible debt facilities—the Debt Securitization, our Credit Facility and our SBIC.

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

### **Debt Securitization**

On July 16, 2010, we completed the Debt Securitization in which the Securitization Issuer issued \$300 million of notes and, in connection with such issuance, received \$300 million of consideration, consisting of \$62.1 million of cash as well as loans with an aggregate outstanding loan balance of \$237.9 million, which served as the initial

collateral for the notes issued by the Securitization Issuer. The notes offered in the Debt Securitization were issued by the Securitization Issuer, and the Class A Notes and Class B Notes are secured by the assets held by the Securitization Issuer. The transaction was executed through a private placement of \$174 million of Aaa/AAA Class A Notes. The Class A Notes bear interest at a rate of three-month LIBOR, plus 2.40%. The \$10 million face amount of Class B Notes bear interest at a rate of three-month LIBOR plus 2.40%, and the \$116 million face amount of Subordinated Notes do not bear interest. In partial consideration for the loans transferred to the Securitization Issuer as part of the Debt Securitization, Holdings retained all of the Class B and Subordinated Notes, which totaled \$126 million, and it retained all of the membership interests in the Securitization Issuer, which Holdings initially purchased for

TABLE OF CONTENTS

\$250. All of the notes are scheduled to mature on July 20, 2021. As discussed below, in accordance with ASC Topic 860, *Transfers and Servicing*, we are required to consolidate the special purpose vehicle used in an asset-backed securitization and treat the transaction as a secured borrowing. In analyzing the relevant facts and circumstances, the purpose and design of the Debt Securitization was to facilitate the refinancing of assets that were consolidated on our balance sheet and used as collateral for the Retired Credit Facility, which was terminated on July 16, 2010. We indirectly received the Class B Notes and Subordinated Notes in exchange for our indirect contribution of these assets to the Securitization Issuer, which consisted primarily of middle-market loans, and the proceeds from the Debt Securitization were used to repay amounts outstanding under the Retired Credit Facility as well as provide capital for new investments. GC Advisors is our investment adviser and also the collateral manager for the Securitization Issuer, which results in the continued involvement of us in the business of the Securitization Issuer. In addition, the investments of the Securitization Issuer constitute a substantial percentage of our total assets. As a result of this continued involvement and the fact that the investments of the Securitization Issuer constitute a substantial percentage of our assets, we consolidate the financial statements of the Securitization Issuer.

An important aspect of a debt securitization transaction is that the purchaser of the notes must become comfortable through their due diligence investigation that the sale and/or contribution of income producing assets into a special purpose entity would be considered a true sale and/or contribution or, in other words, that as a result of such sale and/or contribution, the originator no longer owns the income producing assets. This structure seeks to reduce risk to noteholders by insulating them from the credit and bankruptcy risks faced by the originator. The structure of any debt securitization is in large part intended to prevent, in the event of a bankruptcy, the consolidation in the originator's bankruptcy case of the special purpose entity with the operations of the originator, based on equitable principles, and the noteholders must become comfortable with this analysis. As a result of this structure, debt securitization transactions frequently achieve lower overall borrowing costs than would be achieved if the borrowing had been structured as a traditional secured lending transaction.

In a typical sale transaction, the purchaser exchanges an asset for cash or some other asset, whereas in a contribution transaction, the contributor typically exchanges an asset for securities issued by the purchaser. In the Debt Securitization, we transferred the portfolio loans that comprise the collateral to Holdings in a transaction that was a partial sale and a partial capital contribution. Holdings then transferred these same portfolio loans to the Securitization Issuer in a transfer that was also a partial sale and a partial capital contribution. To the extent that we received cash proceeds from Holdings in consideration for the portfolio loans transferred to Holdings, such portion of the transfer constituted a sale. To the extent that Holdings received cash proceeds, Class B Notes and Subordinated Notes from the Securitization Issuer in consideration for the portfolio loans transferred by it to the Securitization Issuer, such portion of the transfer also constituted a sale. By contrast, to the extent that we received cash proceeds from Holdings equal to or less than the fair value of the portfolio loans transferred by us to Holdings, the difference between the fair value of such portfolio loans and the cash we received from Holdings was deemed to be a contribution to the capital of Holdings pursuant to the terms of the governing master loan sale agreement. Likewise, to the extent that the cash proceeds, Class B Notes and Subordinated Notes received by Holdings from the Securitization Issuer was less than the fair value of the portfolio loans transferred from Holdings to the Securitization Issuer, such portion of the transfer was deemed to be a contribution to the capital of the Securitization Issuer by Holdings pursuant to the terms of such master loan sale agreement. In these transactions, there were no material differences between selling and/or contributing loans or participations, viewed from the perspective of the Securitization Issuer's ownership interests therein, as all of the ownership interests in such loans and participations were transferred to, and are now owned by, the Securitization Issuer under the terms of the master loan sale agreement, irrespective of whether such loans or participations were sold or contributed from us to Holdings and from Holdings to the Securitization Issuer.

GC Advisors, as collateral manager for the Securitization Issuer, selected the senior secured and second lien loans (or participations therein) that were transferred to the Securitization Issuer. The senior secured and second lien loans (or

participations therein) were selected in accordance with the criteria set forth in the Debt Securitization documents.  
These are primarily objective requirements determined by the constraints of the



TABLE OF CONTENTS

market for collateralized debt obligations, and are generally designed to comply with regulations governing commercial lending and similar financing activities in the United States and the requirements of Rule 3a-7 under the 1940 Act.

By their terms, the Class B Notes are limited recourse secured obligations of the Securitization Issuer, with amounts, including principal and interest, payable under the Class B Notes funded solely from the income generated by the portfolio loans and other assets owned by the Securitization Issuer that secure such Class B Notes. Consequently, holders of the Class B Notes must rely solely on payments made under such portfolio loans and other assets held by the Securitization Issuer and, in the event of a portfolio loan event of default, from the proceeds of any liquidation of the collateral underlying such portfolio loans. Likewise, the Subordinated Notes are limited recourse, unsecured obligations of the Securitization Issuer payable solely from payments made under the portfolio loans and other assets held by the Securitization Issuer and, in the event of a portfolio loan event of default, from the proceeds of any liquidation of the collateral underlying such portfolio loans. Additionally, for as long as the Class A Notes and Class B Notes remain outstanding, holders of the Subordinated Notes will not generally be entitled to exercise remedies under the indenture. As an unsecured class of notes, the interests and rights of holders of the Subordinated Notes in and to the portfolio loans and other assets owned by the Securitization Issuer are subject to the prior claims of secured creditors of the Securitization Issuer and are potentially subject to or will rank equally with the claims of other unsecured creditors of the Securitization Issuer.

The Class B Notes are subordinated in right of payment on each payment date to prior payments on the Class A Notes and to certain amounts payable by the Securitization Issuer as administrative expenses. The Subordinated Notes are subordinated in right of payment on each payment date to payments on the Class A Notes and the Class B Notes as well as to certain amounts payable by the Securitization Issuer as administrative expenses and to the claims of other unsecured creditors of the Securitization Issuer.

The Securitization Issuer may only make payments on such securities to the extent permitted by the payment priority provisions of the indenture governing the notes, which generally provides that principal payments on the Class B Notes and the Subordinated Notes may not be made on any payment date unless all amounts owing under the Class A Notes are paid in full. In addition, if the Securitization Issuer does not meet the asset coverage tests or the interest coverage test set forth in the documents governing the Debt Securitization, cash would be diverted from the Class B Notes and the Subordinated Notes to first pay the Class A Notes in amounts sufficient to cause such tests to be satisfied. In addition, no payments may be made on the membership interests in any period until all required payments in respect of the Class A Notes, the Class B Notes and Subordinated Notes have been paid in full. Therefore, to the extent that any losses are suffered by noteholders as a result of losses on the portfolio loans and other assets owned by the Securitization Issuer, such losses will be borne in the first instance by the holders of the membership interests, then by the Subordinated Notes, then by the holders of the Class B Notes and lastly by the holders of the Class A Notes.

We believe that the Debt Securitization benefits from internal credit enhancement, meaning that holders of more senior classes of notes issued by the Securitization Issuer benefit from the terms of subordination applicable to the more junior classes of notes issued by the Securitization Issuer. Thus, the Class A Notes enjoy the benefit of credit enhancement effectively provided by the subordination provisions of the Class B Notes and the Subordinated Notes.

Likewise, the Class B Notes enjoy the benefit of credit enhancement effectively provided by the subordination provisions of the Subordinated Notes. Specifically, as the Securitization Issuer realizes losses on its portfolio loans, such losses are borne initially by the Subordinated Notes, then by the Class B Notes and lastly by the Class A Notes.

The Debt Securitization documents expressly provide that we and our subsidiaries (other than the Securitization Issuer) are not, and cannot be held, liable for any shortfall in payments or any defaults on any of the classes of notes issued by the Securitization Issuer in connection with the Debt Securitization because such obligations are the

obligations of the Securitization Issuer only, and the sole recourse for such obligations is to the collateral owned by the Securitization Issuer rather than our assets or the assets of Holdings.

Under the terms of the documents related to the Debt Securitization, recourse to us and to Holdings is limited and generally consistent with the terms of other similarly structured finance transactions. Under the

57

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TABLE OF CONTENTS

master loan sale agreement with respect to the Debt Securitization, (1) we sold and/or contributed to Holdings all of our ownership interest in certain of our portfolio loans and participations for the purchase price and other consideration set forth in the master loan sale agreement, and (2) Holdings, in turn, sold and/or contributed to the Securitization Issuer all of its ownership interest in such portfolio loans and participations for the purchase price and other consideration set forth in the master loan sale agreement. These transfers were structured by their terms to provide limited recourse to us by the Securitization Issuer relating to certain representations and warranties with respect to certain characteristics including title and quality of the portfolio loans that were transferred to the Securitization Issuer. If we breached these representations and warranties and such breach materially and adversely affected the value of the portfolio loans or the interests of holders of notes issued by the Securitization Issuer, then we could be required, within 30 days of notice or our knowledge of such breach, to (a) cure such breach in all material respects, (b) repurchase the portfolio loan or loans subject to such breach or (c) remove the portfolio loan or loans subject to such breach from the pool of loans and other assets held by the Securitization Issuer and substitute a portfolio loan or loans that meet the requirements of the Debt Securitization documents. This repurchase and substitution obligation of us constitutes the sole remedy available against us for any breach of a representation or warranty related to the portfolio loans transferred to the Securitization Issuer.

A collateral management agreement is an agreement entered into between an adviser and a debt securitization vehicle or similar issuer and sets forth the terms and conditions pursuant to which the adviser will provide advisory and/or management services with respect to the client's securities portfolio. Under the collateral management agreement between GC Advisors and the Securitization Issuer, GC Advisors' duties include (1) selecting portfolio loans to be acquired and selecting the portfolio loans to be sold or otherwise disposed of by the Securitization Issuer, (2) reinvesting in other portfolio loans, where appropriate, (3) instructing the trustee with respect to any acquisition, disposition or tender of, or offer with respect to, a portfolio loan or other assets received in the open market or otherwise by the Securitization Issuer, and (4) performing all other tasks, and taking all other actions, that are specified in, or not inconsistent with, the duties of the collateral manager.

The Debt Securitization provided a number of benefits to us, most notably in providing financing for our portfolio loans that had been financed under the Retired Credit Facility, which was scheduled to mature on December 29, 2010, as well as an ability on our part to finance new portfolio loans acquired by the Securitization Issuer at an attractive cost. The Debt Securitization also generated additional cash for us to lend to portfolio companies because the proceeds received by us from the Debt Securitization exceeded the amount necessary to pay off the Retired Credit Facility in full.

Prior to completion of the Debt Securitization, our portfolio loans were owned by GCMF pursuant to the terms of the Retired Credit Facility. Under the terms of the Debt Securitization, we sold and/or contributed the portfolio loans formerly serving as collateral on the Retired Credit Facility to Holdings, which, in turn, sold and/or contributed them to the Securitization Issuer. Both prior to and following completion of the Debt Securitization, we have no direct ability to enforce the payment obligations on such portfolio loans. The contribution of loans and participations did not constitute a realization event under the Investment Advisory Agreement, and no incentive fee was earned as a result of the Debt Securitization.

Both the Retired Credit Facility and the Debt Securitization are similarly structured in that each entity contracted or contracts with a third party servicer to whom the vehicle has assigned voting rights related to the loans held by such entity, including rights to vote on amendments to and waivers of provisions in the credit agreements of portfolio companies. Golub Capital Incorporated, in its role as servicer for the Retired Credit Facility, was the party directly responsible for enforcing payment obligations under such portfolio loans. GC Advisors, in its role as collateral manager for the Securitization Issuer, is the party responsible for enforcing such payment obligations.

We structured the Debt Securitization with the assistance of Wells Fargo Securities, LLC, for which Wells Fargo Securities, LLC received a structuring and placement fee. In connection with the Debt Securitization, the Securitization Issuer issued the following classes of notes: \$174 million of Class A Senior Secured Floating Rate Notes, \$10 million of Class B Senior Secured Floating Rate Notes and \$116 million of

## TABLE OF CONTENTS

Subordinated Notes. We acquired the portfolio loans and other assets using the proceeds of the Debt Securitization, a portion of which was used to pay off the Retired Credit Facility through which the portfolio loans had been financed previously.

We expect to originate and acquire additional portfolio loans using the proceeds of the Debt Securitization that we did not use to repay amounts outstanding under the Retired Credit Facility or to pay the expenses of the Debt Securitization. We anticipate that such additional portfolio loans will be held by us directly or sold and/or contributed into one of our subsidiaries, which would enable us to borrow additional amounts in securitization or other structures using such portfolio loans as collateral. We believe that this approach will enable us to deploy our capital efficiently and to increase our capacity to provide financing for small to medium-sized businesses in our target market.

The Class B Notes may be transferred to: (1) qualified institutional buyers, as that term is defined in Rule 144A under the Securities Act, who are also qualified purchasers as that term is defined in Section 2(a)(51) of the 1940 Act; (2) to a limited number of other institutional accredited investors within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act, who are also qualified purchasers; and (3) outside of the United States to qualified purchasers in compliance with Regulation S under the Securities Act. The Subordinated Notes may be transferred only to persons or entities that are either (x) qualified institutional buyers or (y) institutional accredited investors and, in either case, are qualified purchasers. By their terms, the Subordinated Notes may only be owned by U.S. persons. No Subordinated Note (or interests in such notes) may be acquired or owned by any person that is classified for U.S. federal income tax purposes as a disregarded entity (unless the beneficial owner of such person is a corporation that is not a subchapter S corporation or otherwise taxable as a corporation), partnership, subchapter S corporation or grantor trust unless such person obtains a legal opinion to the effect that such acquisition or ownership will not cause the Securitization Issuer to be treated as a publicly traded partnership taxable as a corporation.

Membership interests in the Securitization Issuer may be transferred only with the written consent of the designated manager of the Securitization Issuer, which is us. Even with such consent, such membership interests may not be transferred unless, simultaneously with the transfer of such membership interests: (1) a proportionate amount of the Subordinated Notes are transferred so that the ratio of the percentage interest of the Subordinated Notes so transferred to all Subordinated Notes and the ratio of the percentage interest of the membership interests so transferred to all membership interests are equal, (2) the transfers of membership interests and the Subordinated Notes referred to in this paragraph are made to the same person or entity, and (3) the percentage interest of the membership interests and the Subordinated Notes, respectively, so transferred is no less than ten percent. The membership interests and the Subordinated Notes must at all times be held in such proportion that the ratio set forth in clause (1) is always met.

As of September 30, 2011 and 2010, the Securitization Issuer held investments in 79 and 77 portfolio companies with a total fair value of \$284.3 and \$272.8 million, respectively. 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.

### **SBIC License**

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

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

spread over U.S. Treasury Notes with ten-year maturities.

As of September 30, 2011, we had committed and funded \$50.0 million of equity capital to GC SBIC IV, L.P. and had SBA debentures of \$61.3 million outstanding, which mature between March 2021 and March 2022. For the year ended September 30, 2011, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.0%. The interest rate on the \$20.0 million of outstanding

## TABLE OF CONTENTS

debentures was fixed on March 29, 2011 at an interest rate of 4.5%. The interest rate on \$35.3 million was fixed on September 21, 2011 at an interest rate of 3.3%. Prior to this date, we were charged an interim financing rate of approximately 1.0%. We were also charged an interim financing rate of approximately 1.3% on the remaining \$6 million of outstanding debentures.

As of September 30, 2011, we had available commitments of \$38.7 million from the SBA.

Under present SBIC regulations, the maximum amount of SBA-guaranteed debentures that may be issued by multiple licensees under common management is \$225 million. It is possible that GC SBIC IV, L.P. will be constrained in its ability to issue SBA-guaranteed debentures in the future if other Golub Capital SBICs have already issued such debentures. As of September 30, 2011, the two other SBIC licensees operated by Golub Capital had an aggregate of \$123.8 million of SBA-guaranteed debentures outstanding, leaving aggregate borrowing capacity of a maximum of \$39.9 million of SBA-guaranteed debentures for GC SBIC IV, L.P. and the two other SBIC licensees, none of which is required to be allocated to us. The borrowing capacity of GC SBIC IV, L.P. could be expanded if any other Golub Capital SBICs retire their SBA-guaranteed debentures, and the other two SBIC licensees are limited to only making add-on investments in existing portfolio companies, making the majority of the incremental borrowing capacity available to GC SBIC IV, L.P. As of September 30, 2010, GC SBIC IV, L.P. did not have any outstanding SBA-guaranteed debentures. Unless specifically approved by the SBA, the other two licensees were prohibited by the SBA from making new investments when GC SBIC IV, L.P. received its license on August 24, 2010.

On September 13, 2011, we received exemptive relief from the SEC allowing us to modify the asset coverage requirement under the 1940 Act to exclude 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.

### **Revolving Credit Facility**

On July 21, 2011, Funding, our wholly owned subsidiary, entered into the \$75 million senior, secured revolving Credit Facility with Wells Fargo Securities, LLC, as administrative agent and Wells Fargo Bank, N.A., as lender.

Under the Credit Facility, which matures on October 21, 2015, the lender has agreed to extend credit to Funding in an aggregate principal amount of \$75 million. Funding's ability to draw under the Credit Facility is scheduled to terminate on October 20, 2012. The period from the closing date until October 20, 2012 is referred to as the reinvestment period.

All amounts outstanding under the Credit Facility are required to be repaid by October 21, 2015. Through the reinvestment period, the Credit Facility bears interest at 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, we are required to pay a non-usage fee of 0.50% per annum on any unused portion of the Revolving Credit Facility. After six months from the close of the Credit Facility, the non-usage fee will be 0.50% for any unused portion up to \$30 million and 2.00% on any unused portion in excess of \$30 million.

The Credit Facility is secured by all of the assets held by Funding, and we have pledged our interests in Funding as collateral to Wells Fargo Bank, N.A., as the collateral agent, under an ancillary agreement to secure our obligations as the transferor and servicer under the Credit Facility. Both we 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.

We plan to transfer certain loans and debt securities we have originated or acquired from time to time to Funding through a purchase and sale agreement and may cause Funding to originate or acquire loans in the future, consistent

with our investment objectives.

### **Total Return Swap**

On June 17, 2011, GCMF entered into the TRS with Citibank. The purpose of entering into the TRS was to gain economic exposure to a portfolio of broadly syndicated loans.

Under the terms of the TRS, we have the ability to recommend purchases of loans, but all investment decisions are subject to approval by Citibank. The loans are purchased in the open market by Citibank at fair



TABLE OF CONTENTS

value. The maximum fair value of the portfolio loans subject to the TRS is \$100 million (determined at the time each such loan becomes subject to the TRS).

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

At the time each loan is added to the TRS, we are initially required to cash collateralize 20% of the market value of the loan subject to the TRS. We may also be required to post additional collateral from time to time as a result of a decline in the fair value of the portfolio of loans subject to the TRS. If we decline to deposit additional cash collateral, then Citibank will have the right to terminate the TRS and seize all or a portion of the cash collateral posted by us to cover any losses it incurs in liquidating the loans subject to the TRS. Our exposure under the TRS is limited to the value of assets held at GCMF, which primarily consists of cash collateral on deposit with Citibank.

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

Citibank may terminate the TRS on or after the third anniversary of the effective date of the TRS. We may terminate the TRS at any time upon providing at least 30 days notice prior to the proposed settlement date of the reference assets related to such termination.

As of September 30, 2011, the fair value of the TRS was \$(1.8) million. The change in the fair value of the TRS was \$(1.8) million for the year ended September 30, 2011. 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 referenced portfolio of loans is valued by Citibank. Citibank bases its valuation on the indicative bid prices provided by an independent third party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations are sent to us and the board of directors for review and testing. To the extent we or the board of directors has any questions or concerns regarding the valuation of the reference portfolio of loans, such valuation will be discussed or challenged pursuant to the terms of the TRS.

As of September 30, 2011, the TRS had a portfolio with a cost basis of \$97.5 million, an unfunded commitment of \$163,000 and a notional value of \$97.6 million and, through GCMF, we recorded cash collateral on deposit with custodian in the amount of \$19.7 million, which represents collateral held at Citibank. Of the \$97.6 million of notional value at September 30, 2011, \$46.5 million represented loans that were sold by us to various third party brokers at fair value, which were subsequently, independently purchased at a fair value of \$46.5 million by Citibank for the TRS. Based on a review of the legal documents and discussions with legal counsel, we determined that the initial sale of these loans to such third party brokers and the subsequent sale of such loans from the brokers to Citibank should each be recorded as a sale for accounting purposes, and we treated the initial sale as a true sale for legal and accounting purposes. There is no recourse to us for the sold loans other than pursuant to customary and standard Loan Syndication and Trading Association assignment documentation for breaches of representations and warranty as to title, nor do we have the right to redeem the sold loans. The Moody's weighted average rating of the referenced

portfolio of loans within the TRS was B1 at September 30, 2011.

For purposes of the asset coverage ratio test applicable to us as a business development company, we have agreed with the Staff of the SEC to treat the outstanding notional amount of the TRS, less the initial amount of any cash collateral required to be posted by us under the TRS, as a senior security for the life of that instrument. We may, however, accord different treatment to the TRS in the future in accordance with any applicable new rules or interpretations adopted by the Staff of the SEC. See Senior Securities below.

61

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TABLE OF CONTENTS**Inflation**

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented in our financial statements. However, our portfolio companies have and may continue to experience the impact of inflation on their operating results.

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

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

	Payments Due by Period (In millions)				
	Total	Less Than 1 Year	1 3 Years	3 5 Years	5 Years More Than 5 Years
Debt Securitization	\$ 174.0	\$	\$	\$	\$ 174.0
SBA Debentures	61.3				61.3
Credit Facility	2.4			2.4	
Unfunded commitments <sup>(1)</sup>	49.4	49.4			
Total contractual obligations	\$ 287.1	\$ 49.4	\$	\$ 2.4	\$ 235.3

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

The Notes offered in the Debt Securitization are scheduled to mature on July 20, 2021. The SBA Debentures are scheduled to mature between March 2021 and March 2022. The Credit Facility is scheduled to mature on October 21, 2015.

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. As of September 30, 2011 and September 30, 2010, we had outstanding commitments to fund investments totaling \$49.4 million and \$26.6 million, respectively.

Our derivative instruments 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 our derivative instruments. If market conditions move against us, we may not achieve the anticipated benefits of these derivative instruments and may realize a loss. We minimize market risk through monitoring our investments. In addition to market risk, we have credit risk that a counterparty will not be able to meet its obligations to us. It is our policy to review, as necessary, the credit standing of each counterparty.

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. See Management Agreements Management Fee.

We also entered into the Administration Agreement with GC Service as our administrator on April 14, 2010. Under the Administration Agreement, GC Service furnishes us with office facilities and equipment, provides us clerical, bookkeeping and record keeping services at such facilities and provides us with other administrative services necessary to conduct our day-to-day operations. We reimburse GC Service for the allocable portion (subject to the review and approval of our board of directors) of overhead and other

## TABLE OF CONTENTS

expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. GC Service also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to offer to provide such assistance.

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

## **Distributions**

In order to qualify as a RIC and to avoid corporate level tax on the income we distribute to our stockholders, we are required under the Code to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our net stockholders on an annual basis. Additionally, we must meet the annual distribution requirements of the U.S. federal excise tax rules. We intend to distribute 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 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.

## **Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, including changes in interest rates. Many of the loans in our portfolio have floating interest rates, and we expect that our loans in the future will also have floating interest rates. These loans are usually based on a floating LIBOR and typically have interest rate re-set provisions that adjust applicable interest rates under such loans to current market rates on a quarterly basis. In addition, the Class A Note issued as a part of Debt Securitization and the Credit Facility have floating interest rate provisions based on LIBOR, which resets quarterly, and we expect that any other credit facilities into which we enter in the future may have floating interest rate

provisions.

Assuming that the balance sheet as of the periods covered by this analysis were to remain constant and that we took no actions to alter our existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates may affect net income by more than 1% over a one-year horizon. Although 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 borrowings, that could affect net increase in net assets resulting from operations, or net income. Accordingly, we can offer no assurances that actual results would not differ materially from the statement above.

63

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## TABLE OF CONTENTS

We entered into ten-year U.S. Treasury futures contracts in September 2011 to mitigate our risks associated with a rising ten-year U.S. Treasury rate. This transaction insulates against adverse changes in such rate, but also limits our ability to participate in the benefits of lower interest rates.

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

## **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. The board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith.

The factors that are taken into account in fair value pricing investments include available current market data, including relevant and applicable market trading and transaction comparables; applicable market yields and multiples; security covenants; call protection provisions; information rights; the nature and realizable



TABLE OF CONTENTS

value of any collateral; the portfolio company's ability to make payments, its earnings and discounted cash flows and the markets in which it does business; comparisons of financial ratios of peer companies that are public; comparable merger and acquisition transactions; and the principal market and enterprise values.

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

We follow ASC Topic 820 *Fair Value Measurements and Disclosures*, as amended by Accounting Standards Update 2010-06, for measuring fair value. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. Our fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial instruments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

- Level 1:* Inputs are unadjusted, quoted prices in active markets for identical financial instruments at the measurement date.
- Level 2:* Inputs include quoted prices for similar financial instruments in active markets and inputs that are observable for the financial instruments, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3:* Inputs include significant unobservable inputs for the financial instruments and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument'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 financial instrument. The following section describes the valuation techniques used by us to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Money market accounts held at large financial institutions and derivatives that are valued based on quoted market prices in active markets are categorized in Level 1 of the fair value hierarchy. All other financial instruments that were recorded at fair value as of September 30, 2011 were valued using Level 3 inputs of the fair value hierarchy. As of September 30, 2010, we also invested in commercial paper, which is a Level 2 investment.

Level 1 assets are valued using quoted market prices. Level 2 assets are valued using market consensus prices that are corroborated by observable market data and quoted market prices for similar instruments. Financial instruments that are recorded at Level 3 of the valuation hierarchy are our debt and equity investments, as well as our investment in the TRS. Level 3 assets are valued at fair value as determined in good faith by the board of directors, based on input of management, the audit committee and independent valuation firms that have been engaged at the direction of the 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 portfolio companies without readily available market quotations subject to review by an independent valuation firm.

## TABLE OF CONTENTS

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

The referenced portfolio of loans of the TRS is valued by Citibank. Citibank bases its valuation on the indicative bid prices provided by an independent third party pricing service. Bid prices reflect the highest price that market participants may be willing to pay. These valuations are sent to us and the board of directors for review and testing.

Our board of directors reviews and approves the value of the TRS, as well as the value of the loans underlying the TRS, on a quarterly basis as part of its quarterly determination of net asset value. To the extent that we or the board of directors has any questions or concerns regarding the valuation of the reference portfolio of loans, such valuation will be discussed or challenged pursuant to the terms of the TRS.

### **Revenue Recognition:**

Our revenue recognition policies are as follows:

*Investments and Related Investment Income:* Our board of directors determines the fair value of our portfolio of investments. Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. Premiums, discounts and origination fees are amortized or accreted into interest income over the life of the respective debt investment. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that the PIK is not likely to be collectible. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

We account for investment transactions on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in our consolidated statement of operations. We record the fair value of the futures contracts based on the unrealized gain or loss of the reference securities of the futures contracts. Upon maturity or settlement of the futures contracts, we will realize a gain or loss based on the difference of the fair value of the futures contracts at inception and the fair value of the futures contracts at settlement or maturity. This gain or loss would be included on the consolidated statements of operations as net realized gain (loss) on derivative instruments.

We record the fair value of our investment in the TRS based on the unrealized gain or loss of the reference securities of the TRS. For GAAP purposes, realized gains and losses on the TRS 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.

*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

TABLE OF CONTENTS

our management's judgment, are likely to remain current. The total fair value of our non-accrual loans were \$2.9 million and \$3.1 million as of September 30, 2011 and September 30, 2010, respectively.

**Income taxes:**

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

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

Because federal income tax regulations differ from generally accepted accounting principles in the United States of America, 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.

**Senior Securities**

Information about our senior securities is shown in the following table as of September 30, 2011 and September 30 for each of the years indicated in the table.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities <sup>(1)</sup> <i>(In thousands)</i>	Asset Coverage per Unit <sup>(2)</sup>	Involuntary Liquidating Preference per Unit <sup>(3)</sup>	Average Market Value per Unit <sup>(4)</sup>
Retired Credit Facility				
September 30, 2008	\$ 123,083	\$ 1,137		N/A
September 30, 2009	\$ 315,306	\$ 1,294		N/A
Debt Securitization				
September 30, 2010	\$ 174,000	\$ 2,487		N/A
September 30, 2011	\$ 174,000	\$ 3,620		N/A
Credit Facility				
September 30, 2011	\$ 2,383	\$ 263,101		N/A
SBA Debentures				
September 30, 2011	\$ 61,300	\$ 10,313		N/A
TRS <sup>(5)</sup>				

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September 30, 2011	\$ 77,986	\$ 8,120	N/A
Total Debt as of September 30, 2011 <sup>(6)</sup>	\$ 254,369	\$ 2,240	N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and (2) indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.

67

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TABLE OF CONTENTS

The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The in this column indicates that the SEC expressly does not require this information to be disclosed for certain types of senior securities.

(4) Not applicable because senior securities are not registered for public trading.

For purposes of determining our compliance with the asset coverage ratio test applicable to us as a business development company, we have agreed with the Staff of the SEC to treat the outstanding notional amount of the TRS, less the initial amount of any cash collateral required to be posted by us under the TRS, as a senior security for the life of that instrument. Further, for purposes of determining our compliance with the 70% qualifying assets requirement of the 1940 Act, we have agreed to treat the TRS, as a whole, as a non-qualifying asset. We may, however, accord different treatment to the TRS in the future in accordance with any applicable new rules or interpretations adopted by the Staff of the SEC.

(6) These amounts exclude the SBA debentures pursuant to exemptive relief we received from the SEC on September 13, 2011.

68

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TABLE OF CONTENTS**PRICE RANGE OF COMMON STOCK**

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

Period	NAV <sup>(1)</sup>	Closing Sales Price		Premium/ Discount of High Sales Price to NAV <sup>(2)</sup>	Premium/ Discount of Low Sales Price to NAV <sup>(2)</sup>	Declared Distributions <sup>(4)</sup>
		High	Low			
Fiscal year ended September 30, 2010						
Third quarter <sup>(3)</sup>	\$14.67	\$14.85	\$12.85	101.2 %	87.6 %	\$ 0.24
Fourth quarter	\$14.71	\$15.30	\$13.83	104.0 %	94.0 %	\$ 0.31
Fiscal year ended September 30, 2011						
First quarter	\$14.74	\$17.95	\$15.44	121.7 %	104.7 %	\$ 0.31
Second quarter	\$14.75	\$17.60	\$15.78	119.3 %	107.0 %	\$ 0.32
Third quarter	\$14.75	\$16.30	\$14.40	110.5 %	97.6 %	\$ 0.32
Fourth quarter	\$14.56	\$15.81	\$14.00	108.6 %	96.2 %	\$ 0.32
Fiscal year ended September 30, 2012						
First quarter	N/A	\$16.00	\$14.16	N/A	N/A	\$ 0.32
Second quarter (through January 26, 2012)	N/A	\$15.77	\$15.19	N/A	N/A	

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

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

(3) From April 15, 2010 (initial public offering) to June 30, 2010.

(4) Includes a return of capital for tax purposes of approximately \$0.06 per share for the fiscal year ended September 30, 2010.

Shares of business development companies may trade at a market price that is less than the NAV that is attributable to those shares. Our shares traded on The NASDAQ Global Select Market at \$14.85 and \$15.30 as of September 30, 2011 and 2010, respectively. Our NAV was \$14.56 and \$14.71 as of September 30, 2011 and 2010, respectively. The possibility that our shares of common stock will trade at a discount from net asset value or at a premium that is unsustainable over the long term is separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether our shares will trade at, above or below net asset value in the future.

On January 26, 2012, the last reported closing price of our common stock was \$15.71 per share. As of January 26, 2012 we had 166 stockholders of record.





TABLE OF CONTENTS

## **THE COMPANY**

### **General**

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the 1940 Act. In addition, for tax purposes, we have elected to be treated as a RIC under Subchapter M of the Code. We were formed in November 2009 to continue and expand the business of our predecessor, GCMF, which commenced operations in July 2007, to make investments in senior secured, unitranche, mezzanine and second lien loans of middle-market companies that are, in most cases, sponsored by private equity firms.

Our investment objective is to maximize the total return to our stockholders in the form of current income and capital appreciation through debt and minority equity investments. We intend to achieve our investment objective by (1) accessing the established loan origination channels developed by Golub Capital, a leading lender to middle-market companies with over \$5.0 billion of capital under management as of September 30, 2011, (2) selecting investments within our core middle-market company focus, (3) partnering with experienced private equity firms, or sponsors, in many cases with whom we have invested alongside in the past, (4) implementing the disciplined underwriting standards of Golub Capital and (5) drawing upon the aggregate experience and resources of Golub Capital.

As of September 30, 2011, our portfolio at fair value was comprised of 44.3% senior secured loans, 38.7% unitranche loans, 4.8% second lien loans, 10.2% mezzanine loans and 2.0% equity. Over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets.

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

In the current environment, we continue to focus on unitranche investments given the greater principal protection from the first lien nature of these loans. However, we have recently seen some compelling risk/reward opportunities in mezzanine debt.

### **Our Adviser**

Our investment activities are managed by our investment adviser, GC Advisors. GC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. GC Advisors was organized in September 2008 and is a registered investment adviser under the Advisers Act. Under the Investment Advisory Agreement, we pay GC Advisors a base management fee and an incentive fee for its services. See Management Agreements Management Fee for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to GC Advisors. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average adjusted gross assets (including leverage, unrealized depreciation or appreciation on derivative instruments, and cash collateral on deposit with the custodian but

adjusted to exclude cash and cash equivalents so that investors do not pay the base management fee on such assets) and, therefore, GC Advisors benefits when we incur debt or use leverage. Additionally, under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because it determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While not expected to review or approve each borrowing, our independent directors periodically review GC Advisors' services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See Management Agreements Board Approval of the Investment Advisory Agreement.

## TABLE OF CONTENTS

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

## **GC Service**

GC Service, an affiliate of GC Advisors, provides the administrative services necessary for us to operate. GC Service furnishes us with office facilities and equipment and provides us clerical, bookkeeping, recordkeeping and other administrative services at such facilities. Under the Administration Agreement, GC Service performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records we are required to maintain and preparing our reports to our stockholders and reports filed with the SEC. In addition, GC Service also assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns, printing and disseminating reports to our stockholders and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. GC Service may retain third parties to assist in providing administrative services to us. To the extent that GC Service outsources any of its functions, we pay the fees associated with such functions on a direct basis without profit to GC Service. We reimburse GC Service for the allocable portion (subject to the review and approval of our board of directors) of GC Service's overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. GC Service also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance.

## **About Golub Capital**

Golub Capital, founded in 1994, is a leading lender to middle-market companies. Reuters Loan Pricing Corporation ranked Golub Capital as the leading senior lender for middle-market leveraged buyouts (defined as total debt financing of under \$100 million) in 2009, based both on deal value and number of deals. In 2008, Golub Capital was presented with three major middle-market lender awards from leading industry publications and organizations, including: *Buyouts Magazine's* Middle-market Lender of the Year, *M&A Advisor's* Financing Firm of the Year and *ACG Mergers & Acquisitions' M&A Lender of the Year*. In addition, *M&A Advisor* named Golub Capital the Mezzanine Financing Agent of the Year in 2009. These awards do not constitute an endorsement by any such publication or organization of the securities being offered by this prospectus. As of September 30, 2011, Golub Capital had over \$5.0 billion of capital under management, with a team of 52 investment professionals dedicated to U.S. middle-market lending in New York, Chicago and Atlanta.

Since its founding, Golub Capital has closed deals with over 170 middle-market sponsors and repeat transactions with over 80 sponsors. We believe that Golub Capital enjoys robust deal flow. Golub Capital received notice of approximately 1,700 potential investments in 2010 and more than 1,500 potential investments through the first eleven

months of 2011, many of which we believe were proprietary or relationship-based opportunities.

Golub Capital has a long track record of investing in unitranche and junior capital financings, which is our long-term investment focus. Golub Capital invested more than \$2.6 billion in unitranche and mezzanine transactions across a variety of market environments and industries between 2001 and September 30, 2011. From 2005 through 2010, Golub Capital invested in more than 250 middle-market companies and as of

## TABLE OF CONTENTS

September 30, 2011, it held debt investments in more than 160 middle-market companies. Golub Capital has developed expertise in industries such as business and consumer services, consumer products, defense, value-added distribution, healthcare services, manufacturing, media and restaurants.

Golub Capital's middle-market lending group is managed by a four-member senior management team consisting of Lawrence E. Golub, David B. Golub, Gregory W. Cashman and Andrew H. Steuerman. As of September 30, 2011, Golub Capital's 52 investment professionals had an average of over 11 years of investment experience and were supported by 75 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management.

## **Market Opportunity**

We intend to pursue an investment strategy focused on investing in senior secured, unitranche, mezzanine and second lien loans of, and warrants and minority equity securities in, U.S. middle-market companies. We believe the economic recession and the recent dislocation in U.S. credit markets have provided excellent conditions for middle-market lending. We find the middle-market attractive for the following reasons:

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

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

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

*Pricing and Deal Structures.* We believe that as a result of current macroeconomic issues such as the downgrade of U.S. debt, a weakened U.S. economy and the European sovereign debt crisis, there has been reduced access to, and availability of, debt capital to middle-market companies, which has resulted in a widening of interest spreads, more conservative deal structures and stronger covenants. We believe these market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

## **Competitive Strengths**

*Deep, Experienced Management Team.* We are managed by GC Advisors, which has access through the Staffing Agreement to the resources and expertise of Golub Capital's 127 employees, led by our chairman, Lawrence E. Golub, and our chief executive officer, David B. Golub. As of September 30, 2011, the 52 investment professionals of Golub Capital had an average of over 11 years of investment experience and were supported by 75 administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing,

information technology, and office management. Golub Capital seeks to hire and retain high-quality investment professionals and reward those personnel based on investor returns. In 2009, *Buyouts Magazine* named Golub Capital Middle-Market Lender of the Year for the second consecutive year and *M&A Advisor* named Golub Capital the Mezzanine Financing Agent of the Year in 2009. These awards do not constitute an endorsement by any such publication or organization of the securities being offered by this prospectus.

*Leading U.S. Debt Platform Provides Access to Proprietary Relationship-Based Deal Flow.* GC Advisors gives us access to the deal flow of Golub Capital, one of the leading middle-market lenders in the United States. Reuters Loan Pricing Corporation ranked Golub Capital as the leading senior lender for middle-market leveraged buyouts (total debt financing of under \$100 million) for 2009, based both on deal volume

## TABLE OF CONTENTS

and number of deals. We believe this market position makes Golub Capital the first choice lender to many sponsors. Since its inception, Golub Capital has closed deals with over 170 middle-market sponsors and repeat transactions with over 80 sponsors. We believe that Golub Capital receives relationship-based early looks and last looks at many investment opportunities in the U.S. middle-market market, allowing it to be highly selective in the transactions it pursues.

*Disciplined Investment and Underwriting Process.* GC Advisors utilizes the established investment process of Golub Capital for reviewing lending opportunities, structuring transactions and monitoring investments. Using its disciplined approach to lending, GC Advisors seeks to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and the implementation of restrictive debt covenants. We expect that GC Advisors will select borrowers whose businesses will retain significant value, even in a depressed market or a distressed sale. We intend to reduce risk further by focusing on proven, successful sponsors. While emphasizing thorough credit analysis, we intend to maintain strong relationships with sponsors by offering rapid initial feedback from senior investment professionals to each investment opportunity shown to us.

*Regimented Credit Monitoring.* Following each investment, GC Advisors implements a regimented credit monitoring system. This careful approach, which involves ongoing review and analysis by teams of professionals, has enabled us to identify problems early and to assist borrowers before they face difficult liquidity constraints. If necessary, GC Advisors can assume the role of deal sponsor in a work-out situation and has extensive restructuring experience, both in and out of bankruptcy. We believe in the need to prepare for possible negative contingencies in order to address them promptly should they arise.

*Concentrated Middle-Market Focus.* Because of our focus on the middle-market, we understand the following general characteristics of middle-market lending:

middle-market companies are generally less leveraged than large companies and, we believe, offer more attractive investment returns in the form of upfront fees, prepayment penalties and higher interest rates;  
middle-market issuers are more likely to have simple capital structures;  
carefully structured covenant packages enable middle-market lenders to take early action to remediate poor financial performance; and  
middle-market lenders can undertake thorough due diligence investigations prior to investment.

## **Investment Criteria/Guidelines**

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

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

annual EBITDA of \$5 million to \$50 million;  
sustainable leading positions in their respective markets;  
scalable revenues and operating cash flow;



experienced management teams with successful track records;  
stable, predictable cash flows with low technology and market risks;  
a substantial equity cushion in the form of capital ranking junior to our investment;  
low capital expenditures requirements;

## TABLE OF CONTENTS

a North American base of operations;  
strong customer relationships;  
products, services or distribution channels having distinctive competitive advantages;  
defensible niche strategy or other barriers to entry; and  
demonstrated growth strategies.

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

## **Investment Process Overview**

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

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

*Credit Evaluation.* We utilize the systematic, consistent approach to credit evaluation developed by Golub Capital, with a particular focus on determining the value of a business in a downside scenario. The key criteria that we consider include (1) strong and resilient underlying business fundamentals, (2) a substantial equity cushion in the form of capital ranking junior in right of payment to our investment and (3) a conclusion that overall downside risk is manageable. While the size of this equity cushion will vary over time and across industries, the equity cushion generally sought by GC Advisors today is between 40% and 60% of total portfolio capitalization. We generally focus on the criteria developed by Golub Capital for evaluating prospective portfolio companies. In evaluating a particular company, we put more emphasis on credit considerations (such as (1) loan-to-value ratio (which is the amount of our loan divided by the enterprise value of the company in which we are investing), (2) the ability of the company to maintain a liquidity cushion through economic cycles and in downside scenarios, (3) the ability of the company to service its fixed charge obligations under a variety of scenarios and (4) its anticipated strategic value in a downturn) than on profit potential and loan pricing. Our due diligence process for middle-market credits will typically entail:

a thorough review of historical and pro forma financial information,  
on-site visits,

interviews with management, employees, customers and vendors,  
a review of loan documents and material contracts,

third-party quality of earnings accounting due diligence,

when appropriate, background checks on key managers and research relating to the company's business, industry, markets, products and services and competitors, and

the commission of a third-party market studies when appropriate.



TABLE OF CONTENTS

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

ILLUSTRATIVE DEAL EVALUATION PROCESS

FUND INVESTMENTS

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

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

TABLE OF CONTENTS

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

## Risk Ratings Definition

## Rating Definition

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

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

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

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

Investment Performance Rating	September 30, 2011		September 30, 2010	
	Investments at Fair Value (In thousands) <sup>(1)</sup>	Percentage of Total Investments	Investments at Fair Value (In thousands)	Percentage of Total Investments
5	\$ 49,691	10.8 %	\$ 98,307	28.5 %
4	360,259	78.7	199,876	58.0
3	45,141	9.9	41,948	12.2
2	2,891	0.6	4,738	1.3
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