

Golub Capital BDC, Inc.  
Form 10-Q  
May 02, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2012

**OR**

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

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

Commission File Number 814-00794

**Golub Capital BDC, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

27-2326940

(State or other jurisdiction of incorporation or organization)

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

**150 South Wacker Drive, Suite 800**

**Chicago, IL 60606**

(Address of principal executive offices)

**(312) 205-5050**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

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

As of May 2, 2012, the Registrant had 25,639,434 shares of common stock, \$0.001 par value, outstanding.

Part I. Financial Information

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

	March 31, 2012 (unaudited)	September 30, 2011
<b>Assets</b>		
Investments, at fair value (cost of \$611,622 and \$462,961, respectively)	\$ 613,797	\$ 459,827
Cash and cash equivalents	30,121	46,350
Restricted cash and cash equivalents	42,525	23,416
Interest receivable	3,716	3,063
Unrealized appreciation on derivative instruments	1,798	-
Cash collateral on deposit with custodian	20,809	21,162
Deferred financing costs	6,457	5,345
Other assets	56	481
<b>Total Assets</b>	<b>\$ 719,279</b>	<b>\$ 559,644</b>
<b>Liabilities</b>		
Debt	\$ 331,700	\$ 237,683
Interest payable	1,310	1,066
Management and incentive fees payable	3,464	1,608
Unrealized depreciation on derivative instruments	-	1,986
Payable for investments purchased	5,010	-
Accounts payable and accrued expenses	1,070	752
<b>Total Liabilities</b>	<b>342,554</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 March 31, 2012 and September 30, 2011, respectively	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 25,639,371 and 21,733,903 shares issued and outstanding as of March 31, 2012 and September 30, 2011, respectively	26	22
Paid in capital in excess of par	375,994	318,302
Capital distributions in excess of net investment income	(2,133	) (398
Net unrealized appreciation (depreciation) on investments and derivative instruments	6,640	(1,519
Net realized (loss) gain on investments and derivative instruments	(3,802	) 142
<b>Total Net Assets</b>	<b>376,725</b>	<b>316,549</b>
<b>Total Liabilities and Total Net Assets</b>	<b>\$ 719,279</b>	<b>\$ 559,644</b>
Number of common shares outstanding	25,639,371	21,733,903

Net asset value per common share	\$ 14.69	\$ 14.56
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See Notes to Consolidated Financial Statements.

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

	Three months ended March 31,		Six months ended March 31,		
	2012	2011	2012	2011	
Investment income					
Interest income	\$ 14,352	\$ 9,111	\$ 26,452	\$ 18,248	
Dividend income	-	-	377	-	
Total investment income	14,352	9,111	26,829	18,248	
Expenses					
Interest and other debt financing expenses	2,580	1,467	4,946	3,044	
Base management fee	2,093	1,341	3,967	2,625	
Incentive fee	1,434	221	2,344	411	
Professional fees	559	491	1,147	1,058	
Administrative service fee	455	214	718	387	
General and administrative expenses	166	196	301	309	
Total expenses	7,287	3,930	13,423	7,834	
Net investment income	7,065	5,181	13,406	10,414	
Net gain (loss) on investments					
Net realized (loss) gain on investments	(2,817	) 1,049	(4,932	) 1,925	
Net realized gain (loss) on derivative instruments	724	-	988	-	
Net change in unrealized appreciation (depreciation) on investments	4,032	(354	) 4,375	(501	)
Net change in unrealized appreciation (depreciation) on derivative instruments	2,427	-	3,784	-	
Net gain (loss) on investments	4,366	695	4,215	1,424	
Net increase in net assets resulting from operations	\$ 11,431	\$ 5,876	\$ 17,621	\$ 11,838	
Per Common Share Data					
Basic and diluted earnings per common share	\$ 0.48	\$ 0.33	\$ 0.77	\$ 0.67	
Dividends and distributions declared per common share	\$ 0.32	\$ 0.32	\$ 0.64	\$ 0.63	
Basic and diluted weighted average common shares outstanding	24,059,623	17,738,395	22,890,820	17,725,418	

See Notes to Consolidated Financial Statements.



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

	Common Stock	Par	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
Balance at September 30, 2010	17,712,444	\$ 18	\$ 258,568	\$ -	\$ 1,995	\$ (40 )	\$ 260,541
Net increase in net assets resulting from operations	-	-	-	10,414	(501 )	1,925	11,838
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	43,532	-	765	-	-	-	765
Dividends and distributions	-	-	-	(11,167 )	-	-	(11,167 )
Balance at March 31, 2011	17,755,976	\$ 18	\$ 259,333	\$ (753 )	\$ 1,494	\$ 1,885	\$ 261,977
Balance at September 30, 2011	21,733,903	\$ 22	\$ 318,302	\$ (398 )	\$ (1,519 )	\$ 142	\$ 316,549
Issuance of common stock, net of offering and underwriting costs <sup>(1)</sup>	3,825,000	4	56,512	-	-	-	56,516
Net increase in net assets resulting from operations	-	-	-	13,406	8,159	(3,944 )	17,621
Distributions to stockholders:							
Stock issued in connection with	80,468	-	1,180	-	-	-	1,180

dividend reinvestment  
plan

Dividends and distributions	-	-	-	(15,141 )	-	-	(15,141 )
Balance at March 31, 2012	25,639,371	\$ 26	\$ 375,994	\$ (2,133 )	\$ 6,640	\$ (3,802 )	\$ 376,725

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 <sup>(1)</sup>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 granted.

See Notes to Consolidated Financial Statements.

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

(In thousands)	Six Months Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 17,621	\$ 11,838
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities		
Amortization of deferred financing costs	697	365
Amortization of discount and premium	(2,380 )	(3,181 )
Net realized loss (gain) on investments	4,932	(1,925 )
Net realized (gain) loss on derivative instruments	(988 )	-
Net change in unrealized (appreciation) depreciation on investments	(4,375 )	501
Net change in unrealized (appreciation) depreciation on derivative instruments	(3,784 )	-
(Fundings of) proceeds from revolving loans, net	(1,014 )	1,092
Fundings of investments	(237,606 )	(149,994 )
Proceeds from principal payments and sales of portfolio investments	86,474	109,316
Proceeds from derivative instruments	988	-
Changes in operating assets and liabilities:		
Interest receivable	(653 )	(225 )
Cash collateral on deposit with custodian	353	-
Open trade receivable	-	(4,389 )
Other assets	425	(422 )
Interest payable	244	(232 )
Management and incentive fees payable	1,856	582
Payable for investments purchased	5,010	(5,328 )
Accounts payable and accrued expenses	318	298
Net cash (used in) provided by operating activities	(131,882 )	(41,704 )
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	(19,109 )	15,721
Net cash (used in) provided by investing activities	(19,109 )	15,721
Cash flows from financing activities		
Borrowings on debt	131,917	20,000
Repayments of debt	(37,900 )	-
Capitalized debt financing costs	(1,810 )	(968 )
Proceeds from shares sold, net of underwriting costs	57,164	-
Offering costs paid	(648 )	-
Dividends and distributions paid	(13,961 )	(10,402 )
Net cash provided by (used in) financing activities	134,762	8,630
Net change in cash and cash equivalents	(16,229 )	(17,353 )
Cash and cash equivalents, beginning of period	46,350	61,219

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Cash and cash equivalents, end of period	\$ 30,121	\$ 43,866
Supplemental information:		
Cash paid during the period for interest	\$ 4,006	\$ 2,913
Dividends and distributions declared during the period	\$ 15,141	\$ 11,167

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited)****March 31, 2012***(In thousands)*

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount	Cost	Percentage of Net Assets	Fair Value
Investments								
Canada								
Debt investments								
Leisure, Amusement, Motion Pictures, Entertainment								
Extreme Fitness, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.50 %	11/2015	\$ 2,835	\$ 2,790	0.8 %	\$ 2,835
Total Canada					\$ 2,835	\$ 2,790	0.8 %	\$ 2,835
Fair Value as percentage of Principal Amount								100.0 %
United States								
Debt investments								
Aerospace and Defense								
Whitcraft LLC	Subordinated debt	N/A	12.00 %	12/2018	\$ 1,877	\$ 1,846	0.5 %	\$ 1,877
Automobile								
ABRA, Inc. <sup>(3)</sup>	Subordinated debt	N/A	N/A <sup>(4)</sup>	04/2017	-	(24 )	-	-
ABRA, Inc. <sup>(6)</sup>	Subordinated debt	N/A	13.50 %	04/2017	9,659	9,460	2.6	9,659
American Driveline Systems, Inc.*	Senior loan	L + 5.50 %	7.00 %	01/2016	2,869	2,813	0.7	2,812
American Driveline Systems, Inc.	Senior loan	P + 4.50 %	7.75 %	01/2016	168	161	160	
	Senior loan	L + 4.75 %	4.99 %	06/2013	3,111	3,111	0.8	2,956

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CLP Auto Interior Corporation*									
Heartland Automotive Services II, Inc.*	Senior loan	L + 5.00 %	7.25 %	01/2014	597	549	0.2	597	
Heartland Automotive Services II, Inc.	Senior loan	L + 7.00 %	9.25 %	01/2014	447	411	0.1	424	
K&N Engineering, Inc.	Senior loan	P + 4.25 %	7.50 %	12/2016	60	53	-	57	
K&N Engineering, Inc.	Senior loan	P + 4.25 %	7.50 %	12/2016	3,256	3,194	0.9	3,223	
					20,167	19,728	5.3	19,888	
Banking Prommis Solutions Inc.* <sup>(5)</sup>	Senior loan	P + 2.00 %	5.25 %	02/2013	1,237	1,237	0.1	408	
Beverage, Food and Tobacco									
ABP Corporation*	Senior loan	L + 6.60 %	8.10 %	06/2016	4,559	4,484	1.2	4,559	
ABP Corporation <sup>(3)</sup>	Senior loan	L + 5.25 %	N/A <sup>(4)</sup>	06/2016	-	(6 )	-	-	
Ameriquel Group, LLC*	Senior loan	L + 5.00 %	6.51 %	03/2016	1,913	1,883	0.5	1,818	
Ameriquel Group, LLC*	Senior loan	L + 7.50 %	9.01 %	03/2016	844	830	0.2	759	
Atkins Nutrionals, Inc.	Senior loan	L + 7.90 %	9.40 %	12/2015	5,028	4,910	1.3	5,028	
Bertucci's Corporation*	Second lien	L + 11.10 %	14.10 %	07/2012	1,842	1,835	0.5	1,842	
First Watch Restaurants, Inc.*	Senior loan	P + 6.50 %	9.75 %	12/2016	11,588	11,369	3.0	11,472	
First Watch Restaurants, Inc. <sup>(3)</sup>	Senior loan	P + 6.50 %	N/A <sup>(4)</sup>	12/2016	-	(33 )	-	(18 )	
First Watch Restaurants, Inc. <sup>(3)</sup>	Senior loan	P + 6.50 %	N/A <sup>(4)</sup>	12/2016	-	(33 )	-	(18 )	
IL Fornaio Corporation*	Senior loan	L + 5.25 %	6.50 %	06/2017	4,806	4,785	1.3	4,806	
Julio & Sons Company*	Senior loan	L + 7.00 %	8.50 %	09/2016	7,158	7,093	1.9	7,158	
Julio & Sons Company <sup>(3)</sup>	Senior loan	L + 7.00 %	N/A <sup>(4)</sup>	09/2014	-	(18 )	-	-	
Julio & Sons Company <sup>(3)</sup>	Senior loan	L + 7.00 %	N/A <sup>(4)</sup>	09/2016	-	(13 )	-	-	
Noodles & Company*	Senior loan	L + 4.50 %	5.75 %	02/2016	1,613	1,600	0.4	1,613	
Richelieu Foods, Inc.*	Senior loan	L + 5.50 %	7.26 %	11/2015	2,168	2,125	0.5	2,060	
Richelieu Foods, Inc.	Senior loan	P + 4.50 %	7.75 %	11/2015	115	103	-	85	
					41,634	40,914	10.8	41,164	

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Building and Real Estate									
ASP PDM									
Acquisition Co. LLC*	Senior loan	L + 4.75 %	5.75 %	12/2013	455	440	0.1	373	
Global Claims Services, Inc.*	Senior loan	L + 4.50 %	5.75 %	03/2014	7,537	7,476	2.0	7,537	
KHKI Acquisition, Inc.	Senior loan	P + 5.00 %	8.50 %	03/2013	2,626	2,625	0.6	2,101	
Tecta America Corp.	Senior loan	P + 5.75 %	9.00 %	03/2014	2,404	2,404	0.6	2,148	
					13,022	12,945	3.3	12,159	
Cargo Transport									
TMW Systems, Inc.*	Senior loan	L + 4.25 %	5.78 %	05/2016	1,958	1,934	0.5	1,919	
Chemicals, Plastics and Rubber									
Road Infrastructure Investment, LLC*	Senior loan	L + 5.00 %	6.25 %	03/2018	4,158	4,095	1.1	4,148	
Road Infrastructure Investment, LLC <sup>(3)</sup>	Senior loan	L + 5.00 %	N/A <sup>(4)</sup>	03/2017	-	(45 )	-	(5 )	
Syrgis Holdings, Inc.*	Senior loan	L + 5.50 %	7.75 %	08/2012	93	92	-	93	
Syrgis Holdings, Inc.*	Senior loan	L + 6.00 %	8.25 %	08/2013	864	843	0.2	864	
Syrgis Holdings, Inc.*	Senior loan	L + 8.50 %	10.75 %	02/2014	474	460	0.1	474	
					5,589	5,445	1.4	5,574	

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (unaudited) - (Continued)

March 31, 2012 376,725,129

(In thousands)

	Investment	Spread	Interest	Maturity	Principal		Percentage		
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount	Cost	of Total	Fair	
							Net	Value	
							Assets		
Containers, Packaging and Glass									
Fort Dearborn Company*	Senior loan	L + 4.75 %	6.50 %	08/2015	\$ 1,401	\$ 1,382	0.4	%	\$ 1,401
Fort Dearborn Company*	Senior loan	L + 5.25 %	7.00 %	08/2016	3,186	3,139	0.8		3,186
					4,587	4,521	1.2		4,587
Diversified Conglomerate Manufacturing									
Heat Transfer Parent, Inc.*	Senior loan	L + 3.00 %	3.24 %	06/2013	1,724	1,696	0.5		1,724
Neptco Inc.	Senior loan	P + 5.00 %	8.15 %	03/2013	3,825	3,771	1.0		3,595
Oasis Outsourcing Holdings, Inc. <sup>(6)</sup>	Subordinated debt	N/A	13.00 %	04/2017	11,970	11,751	3.2		11,970
Pasternack Enterprises, Inc.*	Senior loan	L + 4.50 %	6.00 %	02/2014	3,959	3,899	1.1		3,959
Sunless Merger Sub, Inc.*	Senior loan	L + 5.00 %	6.25 %	07/2016	2,382	2,372	0.6		2,358
Sunless Merger Sub, Inc. <sup>(3)</sup>	Senior loan	L + 5.00 %	N/A <sup>(4)</sup>	07/2016	-	(1 )	-		(3 )
Tecomet Inc.*	Senior loan	L + 5.25 %	7.00 %	12/2015	4,477	4,415	1.2		4,477
Tecomet Inc. <sup>(3)</sup>	Senior loan	L + 5.25 %	N/A <sup>(4)</sup>	12/2015	-	(6 )	-		-
Vintage Parts, Inc.*	Senior loan	L + 6.00 %	8.50 %	12/2013	86	86	-		86
Vintage Parts, Inc.*	Senior loan	L + 8.00 %	9.75 %	12/2013	1,294	1,279	0.4		1,319
Vintage Parts, Inc.*	Senior loan	L + 5.50 %	5.97 %	12/2013	6,194	6,163	1.6		6,070
					35,911	35,425	9.6		35,555
Diversified Conglomerate Service									
API Healthcare Corporation*	Senior loan	L + 7.88 %	9.38 %	02/2017	9,833	9,646	2.6		9,686
Benetech, Inc.*	Senior loan	L + 5.00 %	5.24 %	12/2013	8,845	8,693	2.3		8,845
	Senior loan	L + 6.00 %	6.50 %	10/2017	8,429	8,115	2.2		8,429



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Compass Group									
Diversified Holdings, LLC*									
Cortz, Inc.*	Senior loan	L + 5.50 %	7.00 %	03/2014	6,930	6,893	1.8	6,930	
Digital Technology International, LLC	Senior loan	P + 6.00 %	9.25 %	09/2016	309	301	0.1	309	
Digital Technology International, LLC	Senior loan	P + 6.00 %	9.25 %	09/2016	6,414	6,298	1.7	6,414	
Document Technologies, LLC <sup>(3)</sup>	Senior loan	P + 4.25 %	N/A <sup>(4)</sup>	12/2016	-	(17 )	-	(9 )	
Document Technologies, LLC	Senior loan	L + 5.00 %	6.50 %	12/2016	4,099	4,023	1.1	4,058	
EAG, Inc.*	Senior loan	P + 3.50 %	6.75 %	07/2017	2,698	2,657	0.7	2,698	
Employment Law Training, Inc. *	Senior loan	L + 7.50 %	9.00 %	12/2016	15,932	15,563	4.2	15,772	
Employment Law Training, Inc. <sup>(3)</sup>	Senior loan	L + 7.50 %	N/A <sup>(4)</sup>	12/2016	-	(24 )	-	(13 )	
Evolution1, Inc.*	Senior loan	L + 4.75 %	6.25 %	06/2016	4,643	4,583	1.2	4,550	
Evolution1, Inc. <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(21 )	-	(33 )	
Evolution1, Inc. <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(4 )	-	(7 )	
HighJump Acquisition LLC <sup>(3)</sup>	Senior loan	L + 8.75 %	N/A <sup>(4)</sup>	07/2016	-	(13 )	-	-	
HighJump Acquisition LLC	Senior loan	L + 8.75 %	10.00 %	07/2016	5,469	5,398	1.5	5,469	
MSC.Software Corporation*	Senior loan	L + 6.50 %	9.15 %	12/2016	6,400	6,279	1.7	6,336	
NS Holdings, Inc.*	Senior loan	L + 6.40 %	7.77 %	06/2015	260	255	0.1	260	
NS Holdings, Inc.*	Senior loan	L + 6.28 %	7.65 %	06/2015	2,084	2,057	0.6	2,084	
QuadraMed Corporation*	Senior loan	L + 5.25 %	6.75 %	07/2016	1,184	1,174	0.3	1,172	
The Service Companies, Inc.*	Senior loan	L + 6.50 %	9.00 %	03/2014	6,741	6,667	1.8	6,741	
Sumtotal Systems, Inc.*	Senior loan	L + 4.00 %	5.25 %	12/2015	1,512	1,498	0.4	1,512	
					91,782	90,021	24.3	91,203	
Diversified Natural Resources, Precious Metals, and Minerals									
Metal Spinners, Inc.*	Senior loan	L + 6.50 %	8.00 %	12/2014	1,661	1,611	0.4	1,661	
Metal Spinners, Inc.*	Senior loan	L + 6.50 %	8.00 %	12/2014	3,052	2,965	0.8	3,052	
					4,713	4,576	1.2	4,713	
Electronics									
Blue Coat Systems, Inc.*	Second lien	L + 10.00 %	11.50 %	08/2018	5,424	5,264	1.4	5,451	
Blue Coat Systems, Inc.	Senior loan	L + 6.00 %	7.50 %	02/2018	8,136	7,976	2.2	8,126	
Cape Electrical Supply LLC <sup>(6)</sup>	Senior loan	L + 6.25 %	7.50 %	11/2013	1,723	1,674	0.5	1,723	
Ecommerce Industries, Inc.*	Senior loan	L + 8.34 %	9.59 %	10/2016	13,886	13,654	3.7	13,886	
Ecommerce Industries, Inc. <sup>(3)</sup>	Senior loan	L + 6.75 %	N/A <sup>(4)</sup>	10/2016	-	(30 )	-	-	

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Entrust, Inc.*	Senior loan	L + 7.28 %	8.78 %	03/2017	4,163	4,109	1.1	4,163
Entrust, Inc.*	Senior loan	L + 7.29 %	8.79 %	03/2017	8,994	8,870	2.4	8,994
Syncsort Incorporated*	Senior loan	L + 5.50 %	7.50 %	03/2015	8,741	8,605	2.3	8,741
Syncsort Incorporated <sup>(3)</sup>	Senior loan	L + 5.50 %	N/A <sup>(4)</sup>	03/2015	-	(5 )	-	-
Time-O-Matic, Inc. <sup>(6)</sup>	Subordinated debt	N/A	13.25 %	12/2016	11,488	11,293	3.0	11,488
					62,555	61,410	16.6	62,572
Farming and Agriculture								
AGData, L.P.	Senior loan	L + 6.25 %	7.75 %	08/2016	2,893	2,857	0.8	2,893
Finance								
Bonddesk Group LLC*	Senior loan	L + 5.00 %	6.50 %	09/2016	1,015	1,005	0.3	1,005
Pillar Processing LLC <sup>(5)</sup>	Senior loan	L + 7.50 %	7.72 %	11/2013	2,972	2,966	0.6	2,080
Pillar Processing LLC <sup>(5)</sup>	Senior loan	N/A	14.50 %	05/2014	3,125	3,125	0.1	313
					7,112	7,096	1.0	3,398

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (unaudited) - (Continued)

March 31, 2012 376,725,129

(In thousands)

	Investment	Spread	Interest	Maturity	Principal		Percentage	
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount	Cost	of Total	Fair
							Net	Value
							Assets	
Healthcare, Education and Childcare								
Advanced Pain Management Holdings, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	06/2016	\$7,879	\$7,730	2.1	% \$7,879
Avatar International, LLC*	Senior loan	L + 7.50%	8.75 %	09/2016	7,955	7,832	2.1	7,955
Avatar International, LLC <sup>(3)</sup>	Senior loan	L + 7.50%	N/A <sup>(4)</sup>	09/2016	-	(9 )	-	-
Avatar International, LLC	Senior loan	L + 8.00%	9.25 %	09/2016	1,716	1,696	0.5	1,716
Campus Management Acquisition Corp.	Second lien	L + 9.14%	10.89 %	09/2015	5,221	5,148	1.3	4,960
Community Hospices of America, Inc.*	Senior loan	L + 5.50%	7.25 %	12/2015	5,097	5,021	1.4	5,097
Community Hospices of America, Inc. <sup>(3)</sup>	Senior loan	L + 5.50%	N/A <sup>(4)</sup>	12/2015	-	(6 )	-	-
Community Hospices of America, Inc. <sup>(6)</sup>	Subordinated debt	L + 11.75 %	13.75 %	06/2016	1,848	1,814	0.5	1,848
DDC Center Inc.*	Senior loan	L + 6.50%	9.50 %	10/2014	8,447	8,449	2.2	8,447
DDC Center Inc.*	Senior loan	L + 6.50%	9.50 %	12/2012	227	227	0.1	227
DDC Center Inc.	Senior loan	L + 6.50%	N/A <sup>(4)</sup>	10/2013	-	-	-	-
Delta Educational Systems, Inc.*	Senior loan	L + 5.00%	7.00 %	11/2012	2,827	2,798	0.8	2,827
Dialysis Newco, Inc. <sup>(6)</sup>	Subordinated debt	N/A	13.00 %	09/2018	8,708	8,577	2.3	8,577
G & H Wire Company, Inc.*	Senior loan	L + 5.50%	7.25 %	12/2015	5,625	5,552	1.5	5,625
G & H Wire Company, Inc. <sup>(3)</sup>	Senior loan	L + 5.50%	N/A <sup>(4)</sup>	12/2015	-	(10 )	-	-
Hospitalists Management Group,	Senior loan	L + 4.50%	6.00 %	05/2017	415	403	0.1	397

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LLC Hospitalists Management Group, LLC	Senior loan	P + 3.50%	6.75 %	05/2017	4,154	4,066	1.1	4,071
LLC Hospitalists Management Group, LLC <sup>(3)</sup>	Senior loan	P + 3.50%	N/A <sup>(4)</sup>	05/2017	-	(12 )	-	(18 )
The Hygenic Corporation*	Senior loan	L + 2.50%	2.74 %	04/2013	2,230	2,208	0.6	2,186
Integrated DNA Technologies, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	04/2015	450	435	0.1	450
Integrated DNA Technologies, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	04/2015	450	445	0.1	450
Integrated DNA Technologies, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	04/2015	3,800	3,760	1.0	3,800
Maverick Healthcare Group, LLC *	Senior loan	L + 5.50%	7.25 %	12/2016	2,206	2,177	0.6	2,206
National Healing Corporation*	Second lien	L + 10.00 %	11.50 %	11/2018	17,976	16,885	4.7	17,616
National Healing Corporation	Senior loan	L + 6.75%	8.25 %	11/2017	3,587	3,417	0.9	3,515
NeuroTherm, Inc.*	Senior loan	L + 5.00%	6.50 %	02/2016	1,654	1,626	0.4	1,654
NeuroTherm, Inc.	Senior loan	L + 5.00%	6.50 %	02/2016	188	182	-	188
Reliant Pro ReHab, LLC*	Senior loan	L + 4.75%	6.00 %	06/2016	3,697	3,642	1.0	3,623
Reliant Pro ReHab, LLC <sup>(3)</sup>	Senior loan	L + 4.75%	N/A <sup>(4)</sup>	06/2016	-	(19 )	-	(35 )
Reliant Pro ReHab, LLC	Senior loan	P + 3.75%	7.00 %	06/2016	231	222	0.1	219
Surgical Information Systems, LLC	Second lien	L + 7.40%	8.95 %	12/2015	4,757	4,686	1.3	4,757
TIDI Products, LLC*	Senior loan	L + 4.75%	6.25 %	05/2015	2,182	2,151	0.6	2,182
TIDI Products, LLC <sup>(3)</sup>	Senior loan	L + 4.75%	N/A <sup>(4)</sup>	05/2015	-	(4 )	-	-
					103,527	101,089	27.4	102,419
Home and Office Furnishings, Housewares, and Durable Consumer								
Amerifile, LLC*	Senior loan	L + 5.00%	6.50 %	03/2016	4,408	4,355	1.2	4,408
Top Knobs USA, Inc.*	Senior loan	L + 5.75%	7.75 %	11/2016	1,144	1,127	0.3	1,144
WII Components, Inc.*	Senior loan	L + 4.75%	6.25 %	07/2016	1,778	1,755	0.5	1,778
WII Components, Inc.	Senior loan	P + 3.75%	7.00 %	07/2016	28	26	-	28
Zenith Products Corporation*	Senior loan	L + 5.00%	5.68 %	09/2013	3,628	3,594	0.9	3,555
					10,986	10,857	2.9	10,913
Leisure, Amusement, Motion Pictures and Entertainment								
Competitor Group, Inc.*	Senior loan	L + 8.00%	9.50 %	01/2017	17,019	16,701	4.5	17,019

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Competitor Group, Inc. <sup>(3)</sup>	Senior loan	L + 8.00%	N/A	<sup>(4)</sup>	01/2017	-	(39	)	-	-
Octane Fitness, LLC*	Senior loan	L + 5.50%	7.00	%	12/2015	4,675	4,533		1.2	4,675
Optronics Product Company, Inc.*	Second lien	L + 7.25%	8.25	%	12/2013	2,489	2,430		0.7	2,489
Pride Manufacturing Company, LLC*	Senior loan	L + 5.50%	7.25	%	11/2015	783	772		0.2	760
						24,966	24,397		6.6	24,943

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (unaudited) - (Continued)

March 31, 2012 376,725,129

(In thousands)

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Personal and Non-Durable Consumer Products								
Dr. Miracles, Inc.* <sup>(6)</sup>	Senior loan	L + 7.50	% 10.00 %	03/2014	\$ 3,165	\$ 3,146	0.8 %	\$2,976
Massage Envy, LLC*	Senior loan	L + 5.00	% 6.50 %	06/2016	6,590	6,522	1.7	6,590
Massage Envy, LLC <sup>(3)</sup>	Senior loan	L + 5.00	% N/A <sup>(4)</sup>	06/2016	-	(1 )	-	-
MTS Medication Technologies, Inc.*	Senior loan	L + 5.25	% 6.75 %	06/2016	1,528	1,518	0.4	1,528
MTS Medication Technologies, Inc. <sup>(3)</sup>	Senior loan	L + 5.50	% N/A <sup>(4)</sup>	06/2016	-	(1 )	-	-
Strategic Partners, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	02/2017	9,636	9,438	2.6	9,636
					20,919	20,622	5.5	20,730
Personal, Food and Miscellaneous Services								
Affordable Care Inc.*	Senior loan	L + 5.00	% 6.50 %	12/2015	3,668	3,625	1.0	3,668
Affordable Care Inc. <sup>(3)</sup>	Senior loan	L + 5.00	% N/A <sup>(4)</sup>	12/2015	-	(7 )	-	-
Automatic Bar Controls, Inc.*	Senior loan	L + 6.00	% 7.51 %	03/2016	1,054	1,043	0.3	1,003
Automatic Bar Controls, Inc. <sup>(3)</sup>	Senior loan	P + 4.75	% N/A <sup>(4)</sup>	03/2016	-	(2 )	-	(8 )
Focus Brands Inc.	Second lien	L + 9.00	% 10.25 %	08/2018	6,481	6,353	1.7	6,513
Focus Brands Inc.	Senior loan	L + 5.00	% 6.26 %	02/2018	6,391	6,328	1.7	6,415
	Senior loan		% 6.25 %	03/2016	6,549	6,470	1.7	6,549

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Ignite Restaurant Group, Inc.*		L +								
		4.75								
NVA Acquisition Company	Senior loan	L +	%	5.50	%	06/2016	1,891	1,875	0.5	1,815
		4.25								
Restaurant Technologies, Inc.*	Senior loan	L +	%	6.00	%	05/2017	1,111	1,101	0.3	1,088
		4.75								
Restaurant Technologies, Inc.	Senior loan	L +	%	6.00	%	05/2017	120	119	-	117
		4.75								
Trusthouse Service Group, Inc. <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	07/2017	-	(4)	-	-
		5.13								
Trusthouse Service Group, Inc.	Senior loan	P +	%	7.38	%	07/2016	3	3	-	3
		4.13								
Trusthouse Service Group, Inc.	Senior loan	L +	%	6.63	%	07/2017	1,018	1,004	0.3	1,018
		5.13								
Vetcor Professional Practices LLC*	Senior loan	L +	%	7.50	%	02/2015	9,899	9,899	2.6	9,899
		6.00								
							38,185	37,807	10.1	38,080
Personal										
Transportation										
PODS Funding Corp. II*	Senior loan	L +	%	8.50	%	11/2016	6,174	6,001	1.6	6,174
		7.00								
PODS Funding Corp. II <sup>(6)</sup>	Subordinated debt	N/A		21.00	%	11/2017	2,802	2,802	0.7	2,802
PODS Funding Corp. II	Subordinated debt	N/A		N/A	(4)	11/2017	-	-	-	-
PODS Funding Corp. II <sup>(3)</sup>	Second lien	N/A		N/A	(4)	05/2017	-	(10)	-	-
PODS Funding Corp. II <sup>(6)</sup>	Second lien	N/A		15.50	%	05/2017	2,045	1,987	0.5	2,045
PODS Funding Corp. II <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	11/2016	-	(52)	-	-
		7.00								
							11,021	10,728	2.8	11,021
Printing and Publishing										
Market Track, LLC*	Senior loan	L +	%	9.25	%	11/2015	12,325	12,149	3.3	12,325
		7.75								
Market Track, LLC <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	11/2015	-	(17)	-	-
		7.75								
Trade Service Company, LLC*	Senior loan	L +	%	6.75	%	06/2013	1,189	1,187	0.3	1,189
		5.25								
Trade Service Company, LLC <sup>(6)</sup>	Senior loan	N/A		14.00	%	06/2013	765	762	0.2	765
Trade Service Company, LLC <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	06/2013	-	(1)	-	-
		5.25								
							14,279	14,080	3.8	14,279
Retail Stores										
Barcelona Restaurants, LLC*	Senior loan	L +	%	11.50	%	03/2017	4,988	4,893	1.3	4,914
		10.00								
Barcelona Restaurants, LLC <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	03/2017	-	(6)	-	(6)
		10.00								
	Senior loan		%	8.00	%	08/2017	2,968	2,760	0.8	2,969

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Bojangles' Restaurants, Inc.*		L +								
		6.50								
Chuy's OPCO, Inc.	Senior loan	L +	%	8.50	%	05/2016	289	287	0.1	289
		7.00								
Chuy's OPCO, Inc.	Senior loan	P +	%	10.00	%	05/2016	443	425	0.1	443
		5.50								
Chuy's OPCO, Inc.	Senior loan	L +	%	8.50	%	05/2016	15,150	14,911	4.0	15,150
		7.00								
DTLR, Inc.*	Senior loan	L +	%	11.00	%	12/2015	8,115	7,998	2.2	8,115
		8.00								
The Marshall Retail Group, LLC*	Senior loan	L +	%	8.00	%	04/2013	10,820	10,616	2.9	10,820
		6.50								
The Marshall Retail Group, LLC <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	04/2013	-	(17 )	-	-
		6.50								
Restaurant Holding Company, LLC	Senior loan	L +	%	9.00	%	02/2017	9,978	9,783	2.6	9,978
		7.50								
Rubio's Restaurants, Inc.* <sup>(6)</sup>	Senior loan	L +	%	9.50	%	06/2015	8,459	8,341	2.2	8,459
		7.75								
Vision Source L.P.*	Senior loan	L +	%	8.00	%	04/2016	13,497	13,270	3.6	13,497
		6.75								
Vision Source L.P. <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	04/2016	-	(10 )	-	-
		6.75								
							74,707	73,251	20	74,628
Telecommunications										
Hosting.com, Inc.*	Senior loan	L +	%	5.75	%	05/2014	918	905	0.2	918
		4.50								
Hosting.com, Inc. <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	05/2014	-	(2 )	-	-
		4.50								
NameMedia, Inc.	Senior loan	L +	%	7.50	%	11/2014	46	46	-	46
		6.00								
NameMedia, Inc.	Senior loan	L +	%	7.50	%	11/2014	2,290	2,253	0.6	2,290
		6.00								
West Corporation <sup>(3)</sup>	Senior loan	L +	%	N/A	(4)	10/2012	-	(66 )	(0.1 )	(200 )
		2.00								
							3,254	3,136	0.7	3,054
Utilities										
PowerPlan Consultants, Inc.*	Senior loan	P +	%	7.50	%	05/2014	5,239	5,160	1.4	5,160
		4.25								
PowerPlan Consultants, Inc. <sup>(3)</sup>	Senior loan	P +	%	N/A	(4)	05/2015	-	(2 )	-	(2 )
		4.25								
							5,239	5,158	2.0	5,158
Total debt investments United States							\$ 602,120	\$ 591,080	157.4 %	\$ 593,135
Fair Value as a percentage of Principal Amount										98.5 %

See Notes to Consolidated Financial Statements.





**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****March 31, 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 Net Assets	Fair Value
Equity investments								
Aerospace and Defense								
Whitcraft LLC	Common stock	N/A	N/A	N/A	1	\$670	0.2	% \$670
Whitcraft LLC	Warrant	N/A	N/A	N/A	-	-	-	117
						670	0.2	787
Automobile								
ABRA, Inc.	LLC interest	N/A	N/A	N/A	1	1,471	0.4	1,471
K&N Engineering, Inc.								
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
Beverage, Food and Tobacco								
Atkins Nutritionals, Inc.	LLC interest	N/A	N/A	N/A	57	796	0.2	914
First Watch Restaurants, Inc.	Common stock	N/A	N/A	N/A	7	691	0.2	691
Julio & Sons Company	LLC interest	N/A	N/A	N/A	521	521	0.1	521
Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	0.1	207
						2,228	0.6	2,333
Diversified Conglomerate Manufacturing								
Neptco Inc.	Warrant	N/A	N/A	N/A	5	-	-	-
Oasis Outsourcing Holdings, Inc.	LLC interest	N/A	N/A	N/A	1,088	1,088	0.3	1,251

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Sunless Merger Sub, Inc.	Preferred stock	N/A	N/A	N/A	-	148	-	148
						1,236	0.3	- 1,399
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 units	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	0.2	799
NeuroTherm, Inc.	Common stock	N/A	N/A	N/A	1	569	0.2	569
Reliant Pro ReHab, LLC	Preferred stock	N/A	N/A	N/A	2	264	0.1	263
Surgical Information Systems, LLC	Common stock	N/A	N/A	N/A	4	414	0.1	414
						5,092	1.3	5,002
Home and Office Furnishings, Housewares, and Durable Consumer Top Knobs USA, Inc.	Common stock	N/A	N/A	N/A	3	73	-	73
Leisure, Amusement, Motion Pictures								

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and Entertainment Competitor Group, Inc.	Preferred stock	N/A	N/A	N/A	199	88	0.1	193
Competitor Group, Inc.	Common stock	N/A	N/A	N/A	9	86	-	107
						174	0.1	300
Personal and Non-Durable Consumer Products Strategic Partners, Inc.	LLC interest	N/A	N/A	N/A	169	1,691	0.4	1,691
Personal Transportation PODS Funding Corp. II	Warrant	N/A	N/A	N/A	224	-	-	-
Retail Stores Barcelona Restaurants, LLC	LP interest	N/A	N/A	N/A	1,996	1,996	0.5	1,996
Rubio's Restaurants, Inc.	Preferred stock	N/A	N/A	N/A	199	945	0.2	599
Vision Source L.P.	Common stock	N/A	N/A	N/A	9	936	0.2	936
						3,877	0.9	- 3,531
Total equity investments United States						\$17,752	4.7	% \$17,827
Total United States						\$608,832	162.2	% \$610,962
Total investments						\$611,622	162.9	% \$613,797
Derivative investments								
Total return swap (Note 7)	Total return swap	N/A	N/A	06/2014	N/A	\$-	0.4	% \$1,480
Futures contracts sold (Note 7)	Futures contracts	N/A	N/A	06/2012	250	\$-	0.1	% \$318
Total derivative instruments						\$-	0.5	% \$1,798

\*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
- (1) provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at March 31, 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 March 31, 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 March 31, 2012. As such, no interest is being earned on this investment.
  - (5) Loan was on non-accrual status as of March 31, 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.

See Notes to Consolidated Financial Statements.

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

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

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

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Flint Trading, Inc. <sup>(3)</sup>	Senior loan	L + 7.25 %	N/A <sup>(4)</sup>	06/2016	-	(10 )	-	-
Syrgis Holdings, Inc.*	Senior loan	L + 5.50 %	7.75 %	08/2012	186	182	0.1	186
Syrgis Holdings, Inc.*	Senior loan	L + 6.00 %	8.25 %	08/2013	864	836	0.3	864
Syrgis Holdings, Inc.*	Senior loan	L + 8.50 %	10.75 %	02/2014	474	457	0.1	474
					13,990	13,868	4.4	13,990

See Notes to Consolidated Financial Statements.



## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (Continued)

September 30, 2011

(In thousands)

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Containers, Packaging and Glass								
Fort Dearborn Company*	Senior loan	L + 4.75 %	6.65 %	08/2015	\$23	\$22	- %	\$23
Fort Dearborn Company*	Senior loan	L + 5.25 %	7.12 %	08/2016	49	48	-	49
Fort Dearborn Company*	Senior loan	L + 4.75 %	6.50 %	08/2015	1,473	1,450	0.5	1,473
Fort Dearborn Company*	Senior loan	L + 5.25 %	7.00 %	08/2016	3,258	3,205	1.0	3,258
					4,803	4,725	1.5	4,803
Diversified Conglomerate Manufacturing								
Heat Transfer Parent, Inc.*	Senior loan	L + 3.00 %	3.24 %	06/2013	1,790	1,748	0.5	1,682
Neptco Inc. <sup>(6)</sup>	Senior loan	L + 6.00 %	8.00 %	03/2013	3,920	3,838	1.1	3,607
OnCore Manufacturing LLC*	Senior loan	L + 8.00 %	11.00 %	06/2016	3,542	3,482	1.2	3,648
Pasternack Enterprises, Inc.*	Senior loan	L + 4.50 %	6.00 %	02/2014	4,467	4,381	1.4	4,377
Sunless Merger Sub, Inc.*	Senior loan	L + 5.00 %	6.25 %	07/2016	2,412	2,400	0.8	2,400
Sunless Merger Sub, Inc. <sup>(3)</sup>	Senior loan	L + 5.00 %	N/A <sup>(4)</sup>	07/2016	-	(1 )	-	(1 )
Tecomet Inc. <sup>(3)</sup>	Senior loan	L + 5.25 %	N/A <sup>(4)</sup>	12/2015	-	(7 )	-	-
Tecomet Inc.*	Senior loan	L + 5.25 %	7.00 %	12/2015	4,564	4,520	1.4	4,564
Vintage Parts, Inc.*	Senior loan	L + 5.50 %	5.75 %	12/2013	6,596	6,534	2.0	6,398
Vintage Parts, Inc.*	Senior loan	L + 6.00 %	8.50 %	12/2013	92	92	-	92
Vintage Parts, Inc.*	Senior loan	L + 8.00 %	9.75 %	12/2013	1,378	1,415	0.4	1,420
					28,761	28,402	8.8	28,187
Diversified Conglomerate Service								

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Benetech, Inc.*	Senior loan	L + 5.00 %	5.22 %	12/2013	8,845	8,649	2.8	8,845
CIBT Holdings <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	12/2015	-	(3 )	-	-
CIBT Holdings*	Senior loan	L + 4.75 %	6.50 %	12/2015	1,055	1,055	0.3	1,055
Compass Group Diversified Holdings, LLC*	Senior loan	L + 4.00 %	4.25 %	12/2013	4,444	4,444	1.4	4,444
Cortz, Inc.*	Senior loan	L + 5.50 %	7.00 %	03/2014	6,624	6,585	2.1	6,624
Digital Technology International, LLC <sup>(3)</sup>	Senior loan	P + 6.00 %	N/A <sup>(4)</sup>	09/2016	-	(9 )	-	(9 )
Digital Technology International, LLC	Senior loan	L + 7.25 %	8.75 %	09/2016	6,495	6,365	2.0	6,430
EAG, Inc.*	Senior loan	P + 3.50 %	6.75 %	07/2017	2,732	2,687	0.9	2,732
Evolution1, Inc. <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(24 )	-	(33 )
Evolution1, Inc. <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(5 )	-	(7 )
Evolution1, Inc.*	Senior loan	L + 4.75 %	6.25 %	06/2016	4,654	4,588	1.4	4,561
HighJump Acquisition LLC <sup>(3)</sup>	Senior loan	L + 8.75 %	N/A <sup>(4)</sup>	07/2016	-	(15 )	-	(16 )
HighJump Acquisition LLC	Senior loan	L + 8.75 %	10.00 %	07/2016	5,496	5,417	1.7	5,469
NS Holdings, Inc.* <sup>(3)</sup>	Senior loan	L + 6.25 %	N/A <sup>(4)</sup>	06/2015	-	(6 )	-	-
NS Holdings, Inc.*	Senior loan	L + 6.28 %	7.65 %	06/2015	2,140	2,107	0.7	2,140
QuadraMed Corporation*	Senior loan	L + 5.25 %	6.75 %	07/2016	1,215	1,203	0.4	1,202
Royall & Company*	Senior loan	L + 5.00 %	6.50 %	11/2015	770	757	0.2	770
The Service Companies, Inc.*	Senior loan	L + 6.50 %	9.00 %	03/2014	5,573	5,573	1.8	5,573
Sumtotal Systems, Inc.*	Senior loan	L + 4.25 %	5.50 %	12/2015	1,552	1,536	0.5	1,552
					51,595	50,904	16.2	51,332
Diversified Natural Resources, Precious Metals, and Minerals Metal Spinners, Inc.*	Senior loan	L + 7.00 %	10.00 %	12/2014	1,728	1,681	0.5	1,728
Metal Spinners, Inc.* <sup>(6)</sup>	Senior loan	L + 11.00 %	14.00 %	12/2014	3,153	3,072	1.0	3,153
					4,881	4,753	1.5	4,881
Electronics Cape Electrical Supply LLC <sup>(6)</sup>	Senior loan	L + 6.25 %	7.50 %	11/2013	1,973	1,899	0.6	1,973
Entrust, Inc.*	Senior loan	L + 7.22 %	8.72 %	03/2017	4,273	4,259	1.3	4,273
Entrust, Inc.*	Senior loan	L + 7.23 %	8.73 %	03/2017	9,971	9,961	3.1	9,971
Syncsort Incorporated <sup>(3)</sup>	Senior loan	L + 5.50 %	N/A <sup>(4)</sup>	03/2015	-	(6 )	-	-
Syncsort Incorporated*	Senior loan	L + 5.50 %	7.50 %	03/2015	8,981	8,981	2.8	8,981
Time-O-Matic, Inc. <sup>(6)</sup>	Subordinated debt	N/A	13.25 %	12/2016	11,416	11,199	3.6	11,416
					36,614	36,293	11.4	36,614

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Farming and Agriculture AGData, L.P.	Senior loan	L + 6.25 %	7.75 %	08/2016	2,972	2,931	0.9	2,972
Finance Bonddesk Group LLC*	Senior loan	L + 5.00 %	6.50 %	09/2016	1,018	1,008	0.3	1,008
Pillar Processing LLC*	Senior loan	L + 5.50 %	5.73 %	05/2014	3,125	3,125	0.9	2,969
Pillar Processing LLC*	Senior loan	N/A	14.50 %	11/2013	3,018	3,012	0.9	2,807
					7,161	7,145	2.1	6,784
!								

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (Continued)

September 30, 2011

(In thousands)

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
Healthcare, Education and Childcare								
ADG, LLC <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	03/2014	\$-	\$(5 )	-	% \$-
ADG, LLC	Senior loan	P + 3.75 %	7.00 %	03/2014	21	17	-	21
ADG, LLC*	Senior loan	L + 4.75 %	6.25 %	03/2014	3,389	3,389	1.1	3,389
Advanced Pain Management Holdings, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	06/2016	7,798	7,632	2.5	7,798
Avatar International, LLC*	Senior loan	L + 7.50 %	8.75 %	09/2016	8,056	7,917	2.5	7,955
Avatar International, LLC <sup>(3)</sup>	Senior loan	L + 7.50 %	N/A <sup>(4)</sup>	09/2016	-	(10 )	-	(10 )
Campus Management Acquisition Corp.	Second lien	L + 8.25 %	10.00 %	09/2015	5,315	5,230	1.7	5,315
CHS/Community Health Systems *	Senior loan	L + 2.25 %	2.57 %	07/2014	519	514	0.2	486
Community Hospices of America, Inc. <sup>(3)</sup>	Senior loan	L + 5.50 %	N/A <sup>(4)</sup>	12/2015	-	(6 )	-	-
Community Hospices of America, Inc.*	Senior loan	L + 5.50 %	7.25 %	12/2015	5,233	5,145	1.7	5,233
Community Hospices of America, Inc. <sup>(6)</sup>	Subordinated debt	L + 11.75 %	13.75 %	06/2016	1,822	1,784	0.6	1,822
DDC Center Inc.*	Senior loan	L + 6.50 %	9.50 %	10/2014	8,591	8,591	2.7	8,420
Delta Educational Systems, Inc.*	Senior loan	P + 2.75 %	6.00 %	06/2012	2,924	2,881	0.9	2,924
Den-Mat Holdings, LLC <sup>(5)(6)</sup>	Senior loan	L + 7.50 %	8.50 %	06/2014	3,419	3,350	0.3	858
Ernest Healthcare, Inc.*	Senior loan	L + 4.75 %	6.25 %	05/2016	2,527	2,504	0.8	2,527
	Senior loan	L + 5.50 %	N/A <sup>(4)</sup>	12/2015	-	(11 )	-	-

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G & H Wire Company, Inc. <sup>(3)</sup>									
G & H Wire Company, Inc.*	Senior loan	L + 5.50 %	7.25 %	12/2015	5,775	5,674	1.8	5,775	
Hospitalists Management Group, LLC <sup>(3)</sup>	Senior loan	L + 4.50 %	N/A <sup>(4)</sup>	05/2017	-	(13 )	-	(18 )	
Hospitalists Management Group, LLC	Senior loan	L + 4.50 %	6.00 %	05/2017	415	402	0.1	397	
Hospitalists Management Group, LLC	Senior loan	P + 3.50 %	6.75 %	05/2017	4,175	4,077	1.3	4,091	
The Hygenic Corporation*	Senior loan	L + 2.50 %	2.75 %	04/2013	2,242	2,209	0.7	2,197	
Integrated DNA Technologies, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	04/2015	3,800	3,752	1.2	3,800	
Integrated DNA Technologies, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %	04/2015	450	444	0.1	450	
Integrated DNA Technologies, Inc. <sup>(3)</sup>	Subordinated debt	N/A	N/A <sup>(4)</sup>	04/2015	-	(6 )	-	-	
Maverick Healthcare Group, LLC *	Senior loan	L + 5.50 %	7.25 %	12/2016	2,251	2,219	0.7	2,251	
NeuroTherm, Inc.	Senior loan	L + 5.00 %	6.50 %	02/2016	243	236	0.1	243	
NeuroTherm, Inc.*	Senior loan	L + 5.00 %	6.50 %	02/2016	1,707	1,673	0.5	1,707	
Reliant Pro ReHab, LLC*	Senior loan	L + 4.75 %	6.00 %	06/2016	3,793	3,730	1.2	3,755	
Reliant Pro ReHab, LLC <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(21 )	-	(18 )	
Reliant Pro ReHab, LLC <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A <sup>(4)</sup>	06/2016	-	(10 )	-	(6 )	
Sterilmed, Inc.* <sup>(6)</sup>	Senior loan	L + 8.50 %	10.00 %	07/2016	3,079	3,079	1.0	3,079	
Sterilmed, Inc. <sup>(3)</sup>	Senior loan	L + 6.25 %	N/A <sup>(4)</sup>	07/2015	-	(7 )	-	-	
Surgical Information Systems, LLC	Second lien	L + 7.73 %	9.23 %	12/2015	5,047	4,961	1.6	5,047	
TIDI Products, LLC*	Senior loan	L + 5.00 %	6.50 %	05/2015	2,228	2,228	0.7	2,228	
TIDI Products, LLC <sup>(3)</sup>	Senior loan	L + 5.00 %	N/A <sup>(4)</sup>	05/2015	-	(5 )	-	-	
United Surgical Partners International, Inc.*	Senior loan	L + 2.00 %	2.24 %	04/2014	1,514	1,514	0.5	1,430	
					86,333	85,058	26.5	83,146	
Home and Office Furnishings, Housewares, and Durable Consumer Amerifile, LLC*	Senior loan	L + 5.00 %	6.50 %	03/2016	4,434	4,375	1.4	4,434	
Top Knobs USA, Inc.*	Senior loan	L + 5.75 %	7.75 %	11/2016	1,176	1,156	0.4	1,176	
WII Components, Inc.*	Senior loan	L + 4.75 %	6.25 %	07/2016	1,824	1,798	0.6	1,797	

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WII Components, Inc. <sup>(3)</sup>	Senior loan	L + 4.75 %	N/A	(4)	07/2016	-	(2 )	-	(2 )
Zenith Products Corporation*	Senior loan	L + 5.00 %	5.43 %		09/2013	4,141	4,090	1.3	4,058
						11,575	11,417	3.7	11,463
Leisure, Amusement, Motion Pictures and Entertainment Competitor Group, Inc.	Senior loan	L + 7.50 %	9.50 %		09/2015	389	370	0.1	389
Competitor Group, Inc.	Senior loans	L + 7.50 %	N/A	(4)	09/2015	3,557	3,468	1.1	3,557
Competitor Group, Inc.*	Senior loan	L + 7.50 %	9.50 %		09/2015	7,783	7,629	2.5	7,783
Octane Fitness, LLC*	Senior loan	L + 4.60 %	4.85 %		03/2013	4,675	4,596	1.4	4,582
Optronics Product Company, Inc.*	Senior loan	L + 4.50 %	5.50 %		12/2012	79	77	-	79
Optronics Product Company, Inc.*	Second lien	L + 7.25 %	8.25 %		12/2013	2,489	2,412	0.8	2,489
Premier Yachts, Inc. <sup>(3)</sup>	Senior loan	L + 5.50 %	N/A	(4)	12/2015	-	(3 )	-	-
Premier Yachts, Inc.*	Senior loan	L + 5.50 %	7.00 %		12/2015	681	670	0.2	681
Pride Manufacturing Company, LLC*	Senior loan	L + 5.50 %	7.25 %		11/2015	819	805	0.3	819
						20,472	20,024	6.4	20,379
Oil and Gas Tri-County Petroleum, Inc. <sup>(6)</sup>	Subordinated debt	N/A	14.00 %		08/2015	7,206	7,077	2.3	7,206
Tri-County Petroleum, Inc.*	Senior loan	L + 5.00 %	6.50 %		02/2015	6,480	6,359	2.0	6,480
Tri-County Petroleum, Inc.*	Senior loan	L + 4.50 %	6.02 %		02/2015	3,051	3,024	1.0	3,051
						16,737	16,460	5.3	16,737

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (Continued)****September 30, 2011***(In thousands)*

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

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Restaurant Technologies, Inc.*	Senior loan	L + 4.75 %	6.00 %	05/2017	1,116	1,106	0.4	1,116
Trusthouse Service Group, Inc. <sup>(3)</sup>	Senior loan	L + 5.13 %	N/A <sup>(4)</sup>	07/2017	-	(5 )	-	(5 )
Trusthouse Service Group, Inc.	Senior loan	P + 4.13 %	7.38 %	07/2016	3	3	-	3
Trusthouse Service Group, Inc.	Senior loan	L + 5.13 %	6.63 %	07/2017	1,044	1,029	0.3	1,029
Vetcor Professional Practices LLC*	Senior loan	L + 6.00 %	7.50 %	02/2015	1,944	1,944	0.6	1,944
Vetcor Professional Practices LLC <sup>(3)</sup>	Senior loan	L + 6.00 %	N/A <sup>(4)</sup>	02/2015	-	(120 )	-	-
Vetcor Professional Practices LLC	Senior loan	L + 6.00 %	7.50 %	02/2015	2,020	2,020	0.6	2,020
					19,473	19,247	6.2	19,377
Printing and Publishing								
Market Track, LLC <sup>(3)</sup>	Senior loan	L + 7.75 %	N/A <sup>(4)</sup>	11/2015	-	(20 )	-	-
Market Track, LLC*	Senior loan	L + 7.75 %	9.25 %	11/2015	12,768	12,563	4.1	12,768
Trade Service Company, LLC <sup>(3)</sup>	Senior loan	L + 5.25 %	N/A <sup>(4)</sup>	06/2013	-	(1 )	-	-
Trade Service Company, LLC*	Senior loan	L + 5.25 %	6.75 %	06/2013	1,342	1,338	0.5	1,342
Trade Service Company, LLC* <sup>(6)</sup>	Senior loan	N/A	14.00 %	06/2013	765	763	0.3	765
					14,875	14,643	4.9	14,875
Retail Stores								
Chuy's OPCO, Inc. <sup>(3)</sup>	Senior loan	L + 7.00 %	N/A <sup>(4)</sup>	05/2016	-	(3 )	-	-
Chuy's OPCO, Inc. <sup>(3)</sup>	Senior loan	L + 7.00 %	N/A <sup>(4)</sup>	05/2016	-	(21 )	-	-
Chuy's OPCO, Inc.	Senior loan	L + 7.00 %	8.50 %	05/2016	8,639	8,458	2.8	8,639
DTLR, Inc.	Senior loan	L + 8.00 %	11.00 %	12/2015	5,861	5,738	1.9	5,861
The Marshall Retail Group, LLC*	Senior loan	L + 4.50 %	7.25 %	04/2013	2,574	2,516	0.8	2,574
The Marshall Retail Group, LLC*	Second lien	L + 6.50 %	9.25 %	04/2013	2,100	2,063	0.7	2,100
Rubio's Restaurants, Inc.*	Senior loan	L + 7.00 %	8.75 %	06/2015	9,433	9,280	3.0	9,433
Vision Source L.P.*	Senior loan	L + 6.75 %	8.00 %	04/2016	13,669	13,411	4.3	13,669
Vision Source L.P.	Senior loan	L + 6.75 %	8.00 %	04/2016	142	131	-	142
					42,418	41,573	13.5	42,418
Telecommunications								
Hosting.com	Senior loan	L + 6.75 %	N/A <sup>(4)</sup>	05/2014	-	-	-	-
Hosting.com*	Senior loan	L + 6.75 %	8.25 %	05/2014	2,084	2,084	0.7	2,084
NameMedia, Inc.	Senior loan	P + 5.00 %	8.25 %	11/2014	9	8	-	8
NameMedia, Inc.	Senior loan	L + 6.00 %	7.50 %	11/2014	2,486	2,439	0.8	2,461
West Corporation <sup>(3)</sup>	Senior loan	L + 2.00 %	N/A <sup>(4)</sup>	10/2012	-	(124 )	(0.1 )	(200 )
					4,579	4,407	1.4	4,353



Total debt investments United States	\$457,506	\$450,793	141.4%	\$447,638
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Fair Value as a percentage of Principal Amount			97.8	%
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See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (Continued)****September 30, 2011***(In thousands, except derivative contracts)*

	Investment	Spread Above	Interest	Maturity	Principal Amount / Shares / Contracts	Cost	Percentage of Total Net Assets	Fair Value
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date				
Equity investments								
Aerospace and Defense								
Whitcraft LLC	Common stock	N/A	N/A	N/A	1	\$ 670	0.2 %	\$ 670
Whitcraft LLC	Warrant	N/A	N/A	N/A	-	-	-	117
						670	0.2	787
Beverage, Food and Tobacco								
Atkins Nutrionals, Inc.	LLC interest	N/A	N/A	N/A	57	838	0.3	838
Julio & Sons Company	LLC interest	N/A	N/A	N/A	521	521	0.2	521
Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	0.1	220
						1,579	0.6	1,579
Diversified Conglomerate Manufacturing								
Neptco Inc.	Warrant	N/A	N/A	N/A	-	-	-	-
Sunless Merger Sub, Inc.	LP interest	N/A	N/A	N/A	-	148	0.1	148
						148	0.1	148
Healthcare, Education and Childcare								
Advanced Pain Management Holdings, Inc.	Common stock	N/A	N/A	N/A	67	67	-	67
Advanced Pain Management Holdings, Inc.	Preferred stock	N/A	N/A	N/A	13	1,273	0.4	1,273
Avatar International, LLC	LP interest	N/A	N/A	N/A	1	651	0.2	651
	LP interest	N/A	N/A	N/A	-	102	-	102

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G & H Wire Company, Inc.									
Hospitalists Management Group, LLC	Common stock	N/A	N/A	N/A	-	38	-		38
NeuroTherm, Inc.	Common stock	N/A	N/A	N/A	1	569	0.2		569
Reliant Pro ReHab, LLC	Preferred stock	N/A	N/A	N/A	2	264	0.1		263
Surgical Information Systems, LLC	Common stock	N/A	N/A	N/A	4	414	0.1		414
						3,378	1.0		3,377
Home and Office Furnishings, Housewares, and Durable Consumer									
Top Knobs USA, Inc.	Common stock	N/A	N/A	N/A	3	73	-		73
Personal and Non-Durable Consumer Products									
Strategic Partners, Inc.	LLC interest	N/A	N/A	N/A	169	1,691	0.5		1,691
Retail Stores									
Rubio's Restaurants, Inc.	Preferred stock	N/A	N/A	N/A	199	945	0.3		799
Vision Source L.P.	Common stock	N/A	N/A	N/A	9	936	0.3		936
						1,881	0.6		1,735
Total equity investments United States						\$ 9,420	3.0 %		\$ 9,390
Total United States						\$ 460,213	144.4 %		\$ 457,028
Total investments						\$ 462,961	145.2 %		\$ 459,827
Derivatives, at fair value									
Futures contracts sold (Note 7)	Financial futures contracts	N/A	N/A	12/2011	250	\$ -	(0.1 )%		\$ (141 )
Total return swap (Note 7)	Total return swap	N/A	N/A	06/2014	N/A	\$ -	(0.7 )%		\$ (1,845 )
Total derivative instruments						\$ -	(0.7 )%		\$ (1,986 )

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

(1) The majority of the investments bear interest at a rate that may be determined by reference to LIBOR "L" or Prime "P" and which reset daily, quarterly or semiannually. For each we have provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at September 30, 2011. Certain investments are subject to a LIBOR or Prime interest rate floor. For fixed rate loans, a spread above a reference rate is not applicable.

(2) For portfolio companies with multiple interest rate contracts, the interest rate shown is a weighted average current interest rate in effect at September 30, 2011.

(3) The negative fair value is the result of the capitalized discount on the loan or the unfunded commitment being valued below par. The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan.

(4) The entire commitment was unfunded at September 30, 2011. As such, no interest is being earned on this investment.

(5) Loan was on non-accrual status as of September 30, 2011, meaning that the Company has ceased recognizing interest income on the loan.

(6) A portion of the interest may be deferred through a PIK rate option.

See Notes to Consolidated Financial Statements.

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

### **Notes to 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.

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

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

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

(In thousands, except shares and per share data)

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 places its cash in financial institutions and, at times, such

balances may be in excess of the Federal Deposit Insurance Corporation insurance limits.

**Restricted cash and cash equivalents:** Restricted cash and cash equivalents include amounts that are collected and are held by trustees who have been appointed as custodians of the assets securing certain of the Company's financing transactions. Restricted cash is held by the trustees for payment of interest expense and principal on the outstanding borrowings or reinvestment into new assets. In addition, restricted cash and cash equivalents include amounts held within the Company's small business investment company ("SBIC"). This 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 six months ended March 31, 2012, interest income included \$1,290 and \$2,380, respectively, of amortization of discounts. For the three and six months ended March 31, 2011, interest income included \$1,228 and \$3,181, respectively, of amortization of discounts.



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

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

(In thousands, except shares and per share data)

As of March 31, 2012 and September 30, 2011, the Company had interest receivable of \$3,716 and \$3,063, respectively. For the three and six months ended March 31, 2012, the Company earned interest of \$14,352 and \$26,452, respectively. For the three and six months ended March 31, 2011, the Company earned interest of \$9,111 and \$18,248, respectively. For the three and six months ended March 31, 2012, the Company received interest in cash, which excludes income from amortization of loan origination fees, original issue discount and market discount or premium, in the amounts of \$12,394 and \$23,041, respectively. For the three and six months ended March 31, 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 \$8,932 and \$17,692, respectively. For the three and six months ended March 31, 2012, the Company received loan origination fees of \$1,607 and \$5,511, respectively. For the three and six months ended March 31, 2011, the Company received loan origination fees of \$626 and \$2,799, respectively. These loan origination fees are capitalized and amortized over the life of the loan as interest income.

For investments with contractual payment-in-kind (“PIK”) interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, the Company will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. For the three and six months ended March 31, 2012, the Company recorded PIK income of \$334 and \$709, respectively. For the three and six months ended March 31, 2011, the Company recorded PIK income of \$192 and \$331, respectively. For the three and six months ended March 31, 2012, the Company received PIK payments in cash of \$264 and \$367, respectively. For the three and six months ended March 31, 2011, the Company received PIK payments in cash of \$68 and \$165, respectively.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies. For the three and six months ended March 31, 2012, the Company recorded dividend income of zero and \$377, respectively. The Company did not earn dividend income for the three and six months ended March 31, 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.

*Non-accrual loans:* A loan may be left on accrual status during the period the Company is pursuing repayment of the loan. Management reviews all loans that become 90 days or more past due on principal and interest, or when there is reasonable doubt that principal or interest will be collected, for possible placement on non-accrual status. When a loan is placed on non-accrual status, unpaid interest credited to income is reversed. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The total fair value of non-accrual loans was \$2,801 and \$2,891 as of March 31, 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.

## Golub Capital BDC, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

(In thousands, except shares and per share data)

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 six months ended March 31, 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 March 31, 2012. The 2009 and 2010 tax years remain subject to examination by U.S. federal and most state tax authorities.

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

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

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

**Deferred financing costs:** Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. As of March 31, 2012 and September 30, 2011, the Company had deferred financing costs of \$6,457 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 six months ended March 31, 2012 was \$357 and \$697, respectively. Amortization expense for the three and six months ended March 31, 2011 was \$195 and \$365, respectively.

**Deferred offering costs:** Deferred offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in preparation of equity offerings. Deferred offering costs are charged against the proceeds from equity offerings when received. As of March 31, 2012 and September 30, 2011, deferred offering costs, which are included in other assets on the consolidated statements of financial condition, were zero 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.

Golub Capital BDC, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
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**Recently issued accounting pronouncements:** In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (“ASU 2011-04”). ASU 2011-04 represents the converged guidance of the FASB and the International Accounting Standards Board (together, the “Boards”) on fair value measurement. The collective efforts of the Boards, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term “fair value” and enhanced disclosure requirements for investments that do not have readily determinable fair values. The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards. The amendments to the FASB codification in ASU 2011-04 are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The adoption of ASU 2011-04 did not have a material impact on the Company’s consolidated financial statements except for enhanced disclosures around fair value measurements.

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

**Investment Advisory and Management Agreement:** On April 14, 2010, GBDC entered into the Investment Advisory Agreement with the Investment Adviser, under which the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, GBDC. The Investment Advisory Agreement was subsequently amended on July 16, 2010. The Investment Adviser is a registered investment adviser with the 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.

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.

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.

Golub Capital BDC, Inc. and Subsidiaries  
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“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 and the capital gains component. The income component is calculated quarterly in arrears based on the Company’s Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. As described in Note 7 - Derivative Instruments, the Company entered into a total return swap (“TRS”) with Citibank, N.A. (“Citibank”) for the purpose of gaining economic exposure to a portfolio of broadly syndicated loans. For purposes of the computation of the incentive fee, the Company:

- treats 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 component of the incentive fee; and
- treats 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 periods ending September 30, 2011 and prior, the Company had included interest spread payments 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, the Company changed its methodology in the first quarter of fiscal year 2012 pursuant to discussions with the staff (the “Staff”) of the SEC, resulting in the TRS interest spread payments being included in the income component of the incentive fee calculation.

For the three and six months ended March 31, 2012, the Company received interest spread payments of \$923 and \$1,570, respectively. For the three months ended December 31, 2011, including the interest spread payments from the TRS in the income component of the incentive fee calculation caused an increase in the incentive fee by \$647 as the Company was in the “catch-up” provision as described below. Upon reviewing the incentive fee calculation and the treatment of the interest spread payments from the TRS, the Investment Adviser irrevocably waived the incremental portion of the incentive fee attributable from the TRS interest spread payments for the three months ended December 31, 2011. For the three months ended March 31, 2012, the Income Incentive Fee (as described below) was \$1,434. For the six months ended March 31, 2012, after taking into account the waiver by the Investment Adviser, the Income Incentive Fee was \$2,344, rather than \$2,991. The Income Incentive Fee for the three and six months ended March 31, 2011 was \$158 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 component, it is possible that an incentive fee may be calculated under this formula with respect to a period in which the Company has incurred a loss. For example, if the Company receives Pre-Incentive Fee Net Investment Income in excess of the hurdle rate (as defined below) for a calendar quarter, the income component will result in a positive value and an incentive fee will be paid unless the payment of such incentive fee would cause the Company to pay incentive fees on a cumulative basis that exceed 20.0% of Cumulative Pre-Incentive Fee Net Investment Income. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of the Company’s net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed “hurdle rate” of 2.0% quarterly. If market interest rates rise, 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.



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The Company calculates the income component of the Income and Capital Gain Incentive Fee Calculation with respect to its Pre-Incentive Fee Net Investment Income quarterly, in arrears, as follows:

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

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

The second part of the incentive fee calculation (the "Capital Gain Incentive Fee") equals (a) 20.0% of the Company's Capital Gain Incentive Fee Base (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 six months ended March 31, 2012, the Capital Gain Incentive Fee was zero. For the three and six months ended March 31, 2011, the Company accrued a Capital Gain Incentive Fee of \$63 and \$63, respectively.

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

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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 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 \$455 and \$226 as of March 31, 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 six months ended March 31, 2012 was \$455 and \$718, respectively. The administrative service fee expense under the Administration Agreement for the three and six months ended March 31, 2011 was \$214 and \$387, 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 six months ended March 31, 2012 were \$92 and \$199, respectively. Total expenses reimbursed to the Investment Manager during the three and six months ended March 31, 2011 were \$67 and \$198, respectively.

As of March 31, 2012 and September 30, 2011, included in accounts payable and accrued expenses were \$83 and \$65, respectively, for accrued expenses paid on behalf of the Company by the Investment Manager.

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**Note 4. Investments**

Investments consisted of the following:

	March 31, 2012			September 30, 2011		
	Par	Cost	Fair Value	Par	Cost	Fair Value
Senior secured	\$233,227	\$229,042	\$225,909	\$212,725	\$209,729	\$203,831
One stop	252,091	248,133	251,117	178,854	176,393	177,880
Second lien <sup>(1)</sup>	46,235	44,578	45,673	21,922	21,531	21,922
Subordinated debt	73,402	72,117	73,271	46,804	45,888	46,804
Equity	N/A	17,752	17,827	N/A	9,420	9,390
Derivative instruments <sup>(2)</sup>	N/A	-	1,798	N/A	-	(1,986 )
Total	\$604,955	\$611,622	\$615,595	\$460,305	\$462,961	\$457,841

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

<sup>(2)</sup> Refer to Note 7 for additional disclosures.

The Company has invested in portfolio companies located in the United States and in Canada. The following tables, 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.

	March 31, 2012			September 30, 2011		
Cost:						
United States						
Mid-Atlantic	\$49,741	8.1 %	\$66,782	14.4 %		
Midwest	125,580	20.5	112,550	24.3		
West	124,556	20.4	80,242	17.3		
Southeast	168,699	27.6	89,133	19.3		
Southwest	86,672	14.1	74,907	16.2		

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Northeast	53,584	8.8	36,599	7.9
Canada	2,790	0.5	2,748	0.6
Total	\$611,622	100.0%	\$462,961	100.0%

Fair Value:

United States

Mid-Atlantic	\$46,362	7.6	%	\$66,906	14.5	%
Midwest	125,734	20.5		112,534	24.5	
West	126,116	20.5		78,329	17.0	
Southeast	170,813	27.8		89,735	19.5	
Southwest	87,961	14.3		72,467	15.8	
Northeast	53,976	8.8		37,057	8.1	
Canada	2,835	0.5		2,799	0.6	
Total	\$613,797	100.0%		\$459,827	100.0%	

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

	March 31, 2012		September 30, 2011		
Cost:					
Aerospace and Defense	\$2,516	0.4 %	\$2,513	0.5 %	
Automobile	21,283	3.5	8,255	1.8	
Banking	1,237	0.2	1,237	0.3	
Beverage, Food and Tobacco	43,142	7.1	31,467	6.8	
Buildings and Real Estate	12,945	2.1	24,522	5.3	
Cargo Transport	1,934	0.3	2,137	0.4	
Chemicals, Plastics and Rubber	5,445	0.9	13,868	3.0	
Containers, Packaging and Glass	4,521	0.7	4,725	1.0	
Diversified Conglomerate Manufacturing	36,661	6.0	28,550	6.2	
Diversified Conglomerate Service	91,177	14.9	50,904	11.0	
Diversified Natural Resources, Precious Metals and Minerals	4,576	0.7	4,753	1.0	
Electronics	61,410	10.0	36,293	7.8	
Farming and Agriculture	2,857	0.5	2,931	0.6	
Finance	7,096	1.2	7,145	1.5	
Healthcare, Education and Childcare	106,181	17.4	88,436	19.1	
Home and Office Furnishings, Housewares, and Durable Consumer	10,930	1.8	11,490	2.5	
Leisure, Amusement, Motion Pictures and Entertainment	27,361	4.5	22,772	4.9	
Oil and Gas	-	-	16,460	3.6	
Personal and Non-Durable Consumer Products	22,313	3.6	22,752	4.9	
Personal, Food and Miscellaneous Services	37,807	6.2	19,247	4.2	
Personal Transportation	10,728	1.8	-	-	
Printing and Publishing	14,080	2.3	14,643	3.2	
Retail Stores	77,128	12.6	43,454	9.4	
Telecommunications	3,136	0.5	4,407	1.0	
Utilities	5,158	0.8	-	-	
Total	\$611,622	100.0%	\$462,961	100.0%	
Fair Value:					
Aerospace and Defense	\$2,664	0.4 %	\$2,664	0.6 %	
Automobile	21,443	3.5	8,096	1.8	
Banking	408	0.1	928	0.2	
Beverage, Food and Tobacco	43,497	7.1	31,790	6.9	
Buildings and Real Estate	12,159	2.0	20,924	4.6	
Cargo Transport	1,919	0.3	2,102	0.5	
Chemicals, Plastics and Rubber	5,574	0.9	13,990	3.0	
Containers, Packaging and Glass	4,587	0.7	4,803	1.0	
Diversified Conglomerate Manufacturing	36,954	6.0	28,335	6.2	

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Diversified Conglomerate Service	92,359	15.0	51,332	11.2
Diversified Natural Resources, Precious Metals and Minerals	4,713	0.8	4,881	1.1
Electronics	62,572	10.2	36,614	8.0
Farming and Agriculture	2,893	0.5	2,972	0.6
Finance	3,398	0.6	6,784	1.5
Healthcare, Education and Childcare	107,421	17.5	86,523	18.8
Home and Office Furnishings, Housewares, and Durable Consumer	10,986	1.8	11,536	2.5
Leisure, Amusement, Motion Pictures and Entertainment	28,078	4.6	23,178	5.0
Oil and Gas	-	-	16,737	3.6
Personal and Non-Durable Consumer Products	22,421	3.7	22,880	5.0
Personal, Food and Miscellaneous Services	38,080	6.2	19,377	4.2
Personal Transportation	11,021	1.8	-	-
Printing and Publishing	14,279	2.3	14,875	3.2
Retail Stores	78,159	12.7	44,153	9.6
Telecommunications	3,054	0.5	4,353	0.9
Utilities	5,158	0.8	-	-
Total	\$613,797	100.0%	\$459,827	100.0%



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### **Note 5. Fair Value Measurements**

The Company follows ASC Topic 820 for measuring fair value. Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the 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 6 months ended March 31, 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 March 31, 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 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.

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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 the Company and its Board for review and testing. The Board 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 the Company or its Board 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. 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.

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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 March 31, 2012:	Fair Value Measurements Using			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Debt investments <sup>(1)</sup>	\$-	\$ -	\$595,970	\$595,970
Equity investments <sup>(1)</sup>	-	-	17,827	17,827
Derivative instruments <sup>(2)</sup>	318	-	1,480	1,798
Cash and cash equivalents	72,646	-	-	72,646
	\$72,964	\$ -	\$615,277	\$688,241

As of September 30, 2011:	Fair Value Measurements Using			
Description	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

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

<sup>(2)</sup> Derivatives include futures contracts and the TRS. Refer to Note 7 for additional disclosures.

The net change in unrealized appreciation for the three and six months ended March 31, 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 \$5,902 and \$7,700, respectively. The net change in unrealized depreciation attributable to the Company's Level 3 assets for the three and six months ended March 31, 2011 was \$(354) and \$(501), respectively.

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

	Six months ended March 31, 2012			Total
	Debt Investments	Equity Investments	Derivative 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	4,271	104	3,325	7,700
Realized (loss) gain on investments and derivative instruments	(4,933 )	1	1,591	(3,341 )
Fundings of revolving loans, net	1,014	-	-	1,014
Fundings of investments	229,209	8,398	-	237,607
Proceeds from principal payments and sales of portfolio investments	(86,408 )	(66 )	-	(86,474 )
Proceeds from derivative instruments <sup>(1)</sup>	-	-	(1,591	) (1,591 )
Amortization of discount and premium	2,380	-	-	2,380
Fair value, end of period	\$595,970	\$ 17,827	\$ 1,480	\$615,277

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

The following table presents quantitative information about the significant unobservable inputs of the Company's level 3 investments as of March 31, 2012:

Quantitative information about Level 3 Fair Value Measurements

	Fair value at March 31, 2012 <sup>(4)</sup>	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Senior secured loans <sup>(1)(2)</sup>	\$ 191,478	Market comparable companies Market rate approach	EBITDA multiples market interest rate	5.0 - 13.5 (8.1) 3.24% - 15.75% (7.5%)
One stop loans	\$ 251,117	Market comparable companies Market rate approach	EBITDA multiples market interest rate	4.4 - 12.5 (8.4) 5.2% - 14.8% (8.8%)

Subordinated and second lien loans <sup>(3)</sup>	\$	106,980	Market comparable companies	EBITDA multiples	6.3 - 11.0 (8.5)
			Market rate approach	market interest rate	8.2% - 21.0% (13.2%)
Equity securities	\$	17,827	Market comparable companies	EBITDA multiples	5.5 - 12.5 (9.0)

<sup>(1)</sup> Excludes \$31,630 of loans at fair value, which the Company values using indicative bid and ask prices provided by an independent third party pricing service.

<sup>(2)</sup> Excludes \$2,801 of non-accrual loans at fair value. These loans were valued on a liquidation basis.

<sup>(3)</sup> Excludes \$11,964 of loans at fair value, which the Company values using indicative bid and ask prices provided by an independent third party pricing service.

<sup>(4)</sup> Excludes the fair value of the TRS, which the Company values using indicative bid and ask prices provided by an independent third party pricing service.

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

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The following are the carrying values and fair values of the Company's debt liabilities as of March 31, 2012 and September 30, 2011.

As of March 31, 2012		As of September 30, 2011		
Carrying Value	Fair Value	Carrying Value	Fair Value	
Debt	\$331,700	\$335,897	\$237,683	\$240,373

#### Note 6. Borrowings

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. On September 13, 2011, the Company received exemptive relief from the SEC allowing it to modify the asset coverage requirement to exclude the SBA debentures from this calculation. As such, the Company's ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This provides the Company with increased investment flexibility but also increases its risks related to leverage. For purposes of compliance with the asset coverage ratio test, the Company has agreed with the Staff of the SEC to treat the outstanding notional amount of the TRS, less the amount of cash collateral on deposit with the custodian under the TRS, as a senior security for the life of that instrument. The Company 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. As of March 31, 2012, the Company's asset coverage for borrowed amounts was 235.3%.

**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 London Interbank Offered Rate ("LIBOR") plus 2.40%. The \$10,000 face amount of Class B Notes bears interest at a rate of three-month LIBOR plus 2.40%, and the \$116,000 face amount of Subordinated Notes does not bear interest. The Class A Notes are included in the March 31, 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.



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As of March 31, 2012 and September 30, 2011, there were 81 and 79 portfolio companies with a total fair value of \$293,065 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 March 31, 2012 was 0.5%. For the three and six months ended March 31, 2012, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.3% and 3.3%, respectively. For the three and six months ended March 31, 2012, interest expense was \$1,288 and \$2,523, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$1,249 and \$2,427, respectively. For the three and six months ended March 31, 2011, the effective annualized average interest rate, which includes amortization of debt issuance costs on the Debt Securitization, was 3.2% and 3.4%, respectively. For the three and six months ended March 31, 2011, interest expense was \$1,216 and \$2,610, respectively. Cash paid for interest during the three and six months ended March 31, 2011 was \$2,849 and \$2,849, 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 March 31, 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. Unless specifically approved by the SBA, the other licensee was prohibited by the SBA from making certain new investments when GC SBIC IV, L.P. received its license on August 24, 2010. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies. 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.

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GC SBIC IV, L.P. is able to borrow funds from the SBA against regulatory capital that is paid-in, subject to customary regulatory requirements including an examination by the SBA. As of March 31, 2012, the Company had committed and funded \$66,000 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 six months ended March 31, 2012, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 3.2% and 3.3%, respectively. For the three and six months ended March 31, 2012, interest expense was \$702 and \$1,330, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$1,210 and \$1,210, respectively. For the three and six months ended March 31, 2011, the effective annualized average interest rate, which includes amortization of fees paid on the debentures, was 1.9% and 1.8%, respectively. For the three and six months ended March 31, 2011, interest expense was \$57 and \$71, respectively. Cash paid for interest during the three and six months ended March 31, 2011 was \$64 and \$64, respectively.

As indicated above, on September 13, 2011, the Company received exemptive relief from the SEC allowing it to modify the asset coverage requirement to exclude 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.

**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 March 31, 2012 and September 30, 2011, the Company had outstanding debt under the Credit Facility of \$34,200 and \$2,383, respectively. For the three and six months ended March 31, 2012, the Company had borrowings on the Credit Facility of \$34,200 and \$69,717, respectively, and repayments on the Credit Facility of \$37,900 and \$37,900, respectively. For the three and six months ended March 31, 2012, the effective annualized average interest rate on outstanding borrowings, which includes amortization of debt financing costs, was 3.0% and 3.0%, respectively. For the three and six months ended March 31, 2012, interest expense was \$233 and \$397, respectively. Cash paid for interest during the three and six months ended March 31, 2012 was \$244 and \$369, respectively.

The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and six months ended March 31, 2012 was \$301,108 and \$287,205, respectively. The average total debt outstanding (including the debt under the Debt Securitization, SBA debentures and Credit Facility) for the three and six months ended March 31, 2011 was \$194,000 and \$186,640, respectively.

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For the three and six months ended March 31, 2012, the effective annualized average interest rate on the Company's total debt outstanding was 3.4% and 3.4%, respectively. For the three and six months ended March 31, 2011, the effective annualized average interest rate on the Company's total debt outstanding was 3.0% and 3.3%, respectively.

A summary of the Company's maturity requirements for borrowings as of March 31, 2012 is as follows:

	Total	Payments Due by Period			More Than 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
Debt Securitization	\$ 174,000	\$ -	\$ -	\$ -	\$ 174,000
SBA debentures	123,500	-	-	-	123,500
Credit Facility	34,200	-	-	34,200	-
Total borrowings	\$ 331,700	\$ -	\$ -	\$ 34,200	\$ 297,500

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**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:

<b>Location</b>		<b>March 31, 2012 Fair Value</b>	<b>September 30, 2011 Fair Value</b>
Futures Contracts	Unrealized appreciation (depreciation) on derivative instruments	\$318	\$ (141 )
TRS	Unrealized appreciation (depreciation) on derivative instruments	1,480	(1,845 )
Total		\$1,798	\$ (1,986 )

Realized and unrealized gains and losses on derivative instruments recorded by the Company for the three and six months ended March 31, 2012 are in the following location on the consolidated statements of operations:

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

The Company did not have derivative investments during the three and six months ended March 31, 2011.

**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 \$25,000 as March 31, 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 March 31, 2012, the Company's cash collateral balance at the broker was \$897, 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 six months ended March 31, 2012, the realized loss on settlement of futures contracts was \$(231) and \$(603), respectively, and the change in unrealized appreciation related to the futures contracts was \$557 and \$459, respectively. As of March 31, 2012 and September 30, 2011, the fair value of the futures contracts was \$318 and \$(141), respectively. The futures contracts mature in June 2012. The total volume of futures contracts that the Company entered into for the three and six months ended March 31, 2012 was two hundred and fifty and five hundred, respectively.

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**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. 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.

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

In order for Citibank to purchase a loan for the TRS, each individual loan, and the portfolio of loans taken as a whole, must meet certain specified criteria. The Company receives from Citibank all interest and fees payable in respect of the loans included in the portfolio. The Company pays to Citibank interest at a rate equal to three-month LIBOR plus 1.2% per annum based on the settled notional value of the TRS. In addition, upon the termination or repayment of any loan subject to the TRS, the Company will either receive from Citibank the appreciation in the value of such loan, or pay to Citibank any depreciation in the value of such loan. On a quarterly basis, net payment between the Company 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, the Company is initially required to cash collateralize 20% of the market value of the loan. The Company 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 the Company declines 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 the Company to cover any losses it incurs in liquidating the loans subject to the TRS. The Company's exposure under the TRS is limited to the value of assets held at GCMF, which primarily consists of cash collateral on deposit with Citibank.

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

Citibank may terminate the TRS on or after the third anniversary of the effectiveness of the TRS. The Company may terminate the TRS at any time upon providing at least 30 days' notice prior to the proposed settlement date of the



reference assets related to such termination.

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 March 31, 2012, the fair value of the TRS was \$1,480, comprised of spread interest income of \$972, realized gains of \$134 on the referenced loans, and an unrealized gain on the referenced loans of \$374. As of September 30, 2011, the fair value of the TRS was \$(1,845), comprised of spread interest income of \$591 and an unrealized loss on the referenced loans of \$(2,436). The change in the fair value of the TRS was \$1,870 and \$3,325 for the three and six months ended March 31, 2012, respectively. Realized gains on the TRS for the three months ended March 31, 2012 were \$955, which consisted of spread interest income of \$923 and a realized gain of \$32 on the referenced loans. Realized gains on the TRS for the six months ended March 31, 2012 were \$1,591, which consisted of spread interest income of \$1,570 and a realized gain of \$21 on the referenced loans.

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. The Board 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 the Company or its Board 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.

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As of March 31, 2012 and September 30, 2011, the TRS had a portfolio with a cost basis of \$89,117 and \$97,485, an unfunded commitment of zero and \$163 and a notional value of \$89,117 and \$97,648, respectively. As of March 31, 2012 and September 30, 2011, through GCMF, the Company recorded cash collateral on deposit with custodian in the amount of \$19,912 and \$19,662, respectively, which represented collateral held at Citibank.

In June 2011, the Company sold \$46,478 of loans to various third party brokers at fair value, which were subsequently independently purchased at a fair value of \$46,460 by Citibank for the TRS. Based on a review of the legal documents and discussions with legal counsel, the Company 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 the Company treated the initial sale as a true sale for legal and accounting purposes. There is no recourse to the Company for the sold loans other than pursuant to customary and standard Loan Syndication and Trading Association assignment documentation for breaches of representations and warranties as to title, nor does the Company 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 March 31, 2012.

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The following table summarizes the portfolio of loans held by the TRS as of March 31, 2012:

Reference Asset	Industry	Interest Rate	Maturity Date	Par	Cost	Fair Value
Ashland Inc.	Chemicals, Plastics and Rubber	L + 2.75%	08/2018	\$ 4,973	\$ 4,961	\$4,972
Autoparts Holdings Ltd.	Automobile	L + 5.00%	07/2017	597	594	600
Barbri, Inc.	Healthcare, Education and Childcare	L + 4.50%	06/2017	3,200	3,168	3,168
Blackboard Inc.	Diversified Conglomerate Manufacturing	L + 6.00%	09/2018	4,988	4,589	4,956
Bojangles Holdings	Retail Stores	L + 6.50%	08/2017	4,895	4,797	4,882
Brickman Group	Farming and Agriculture	L + 5.50%	10/2016	992	978	1,001
California Pizza Kitchen, Inc.	Personal, Food and Miscellaneous Services	L + 5.50%	07/2017	3,980	3,920	3,925
Charter Communications Operating LLC	Telecommunications	L + 3.25%	09/2016	2,970	2,960	2,953
CHI Overhead Doors Inc.	Buildings and Real Estate	L + 5.75%	08/2017	2,189	2,145	2,158
The Container Store, Inc.	Retail Stores	L + 3.00%	08/2014	6,483	6,325	6,094
Del Monte Foods Company	Beverage, Food and Tobacco	L + 3.00%	03/2018	2,978	2,976	2,932
Dole Food Company, Inc.	Beverage, Food and Tobacco	L + 3.75%	07/2018	556	552	558
The Endurance International Group, Inc.	Electronics	L + 6.25%	12/2017	1,696	1,662	1,696
Fibertech Networks	Telecommunications	L + 5.00%	11/2016	1,985	1,970	1,985
HCA Inc.	Healthcare, Education and Childcare	L + 3.25%	03/2017	3,000	2,964	2,942
Health Management Associates, Inc.	Healthcare, Education and Childcare	L + 3.50%	11/2018	2,544	2,518	2,522
J Crew Group, Inc.	Retail Stores	L + 3.50%	03/2018	2,978	2,845	2,922
Jetro Holdings	Grocery	L + 2.25%	07/2014	2,799	2,751	2,800
Melissa and Doug LLC	Leisure, Amusement, Motion Pictures, Entertainment	L + 5.00%	12/2016	1,260	1,267	1,251

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Mercury Payment Systems, LLC	Finance	L + 4.00%	07/2017	1,588	1,572	1,594
MetroPCS Wireless, Inc.	Telecommunications	L + 3.75%	03/2018	1,980	1,984	1,959
Mobilitie Investments II, LLC	Telecommunications	L + 4.00%	06/2017	3,573	3,555	3,510
NBTY, Inc.	Personal and Non Durable Consumer Products	L + 3.25%	10/2017	2,591	2,592	2,591
Nuveen Investments, Inc.	Finance	L + 3.00%	11/2014	1,922	1,903	1,922
Nuveen Investments, Inc.	Finance	L + 5.25%	05/2017	2,000	1,850	1,996
RPI Finance Trust	Healthcare, Education and Childcare	L + 3.00%	05/2018	2,779	2,765	2,775
SNL Financial LC	Finance	L + 7.00%	08/2018	2,145	2,081	2,140
Solvest LTD	Beverage, Food and Tobacco	L + 3.75%	07/2018	994	988	999
Sotera Defense Solutions, Inc.	Aerospace and Defense	L + 5.50%	04/2017	1,985	1,955	1,955
Styron S.A.R.L.	Chemicals, Plastics and Rubber	L + 4.50%	08/2017	2,969	2,918	2,709
Terex Corporation	Machinery	L + 4.00%	04/2017	1,194	1,188	1,202
Universal Health Services	Healthcare, Education and Childcare	L + 2.75%	11/2016	1,508	1,515	1,505
Univision Communications Inc.	Broadcasting and Entertainment	L + 4.25%	03/2017	2,000	1,900	1,854
U.S. Security Associates Holdings, Inc.	Diversified Conglomerate Manufacturing	L + 4.75%	08/2017	163	161	162
U.S. Security Associates Holdings, Inc.	Diversified Conglomerate Manufacturing	L + 4.75%	08/2017	1,431	1,420	1,428
Valitas Health Services, Inc.	Healthcare, Education and Childcare	L + 4.50%	06/2017	1,489	1,452	1,470
Warner Chilcott Company LLC	Healthcare, Education and Childcare	L + 3.25%	03/2018	141	141	141
Warner Chilcott Corporation	Healthcare, Education and Childcare	L + 3.25%	03/2018	283	283	282
Water Pik, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer	L + 5.25%	08/2017	2,786	2,758	2,786
WC Luxco Sarl	Healthcare, Education and Childcare	L + 3.25%	03/2018	194	194	194
Total				\$ 90,778	\$ 89,117	\$ 89,491

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The following table summarizes the portfolio of loans held by the TRS as of September 30, 2011:

Reference Asset	Industry	Interest Rate	Maturity Date	Par	Cost	Fair Value
Ashland Inc.	Chemicals, Plastics and Rubber	L + 2.75%	08/2018	\$ 5,000	\$ 4,987	\$ 4,956
Autoparts Holdings Ltd.	Automobile	L + 5.00%	07/2017	600	597	597
Barbri, Inc.	Healthcare, Education and Childcare	L + 4.50%	06/2017	3,200	3,168	3,126
Blackboard Inc.	Diversified Conglomerate Manufacturing	L + 6.00%	09/2018	5,000	4,600	4,638
Bojangles Holdings	Retail Stores	L + 6.50%	08/2017	5,000	4,900	4,875
Brickman Group	Farming and Agriculture	L + 5.50%	10/2016	997	983	980
California Pizza Kitchen, Inc.	Personal, Food and Miscellaneous Services	L + 5.50%	07/2017	3,990	3,930	3,920
Charter Communications Operating LLC	Telecommunications	L + 3.25%	09/2016	2,985	2,975	2,880
CHI Overhead Doors Inc.	Buildings and Real Estate	L + 5.75%	08/2017	2,200	2,156	2,156
The Container Store, Inc.	Retail Stores	L + 3.00%	08/2014	6,501	6,342	6,110
Del Monte Foods Company	Beverage, Food and Tobacco	L + 3.00%	03/2018	2,993	2,990	2,776
Dole Food Company, Inc.	Beverage, Food and Tobacco	L + 3.75%	07/2018	559	554	549
Fibertech Networks	Telecommunications	L + 5.00%	11/2016	2,000	1,985	1,955
Focus Brands	Personal, Food and Miscellaneous Services	L + 4.00%	11/2016	4,129	4,160	4,077
HCA Inc.	Healthcare, Education and Childcare	L + 3.25%	03/2017	3,000	2,964	2,818
J Crew Group, Inc.	Retail Stores	L + 3.50%	03/2018	2,993	2,860	2,653
Jetro Holdings	Grocery	L + 2.25%	07/2014	2,799	2,751	2,708
Melissa and Doug LLC	Leisure, Amusement, Motion Pictures, Entertainment	L + 5.00%	12/2016	1,292	1,300	1,270
Mercury Payment Systems, LLC	Finance	L + 5.00%	07/2017	1,596	1,580	1,580

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MetroPCS Wireless, Inc.	Telecommunications	L + 3.75%	03/2018	1,990	1,994	1,903
Mobilitie Investments II, LLC	Telecommunications	L + 4.00%	06/2017	3,591	3,573	3,465
NBTY, Inc.	Personal and Non Durable Consumer Products	L + 3.25%	10/2017	2,985	2,987	2,887
Nuveen Investments, Inc.	Finance	L + 3.00%	11/2014	1,922	1,903	1,754
Nuveen Investments, Inc.	Finance	L + 5.50%	05/2017	2,000	1,850	1,847
Protection One	Diversified Conglomerate Service	L + 4.25%	06/2016	2,747	2,749	2,685
Rally Parts LLC	Personal Transportation	L + 5.50%	12/2013	1,836	1,800	1,732
Rally Parts LLC	Personal Transportation	L + 5.50%	12/2013	1,920	1,824	1,811
RPI Finance Trust	Healthcare, Education and Childcare	L + 3.00%	05/2018	2,793	2,779	2,764
SNL Financial LC	Finance	L + 7.00%	08/2018	2,200	2,134	2,162
Solvest LTD	Beverage, Food and Tobacco	L + 3.75%	07/2018	1,037	1,030	1,020
Sotera Defense Solutions, Inc.	Aerospace and Defense	L + 5.50%	04/2017	2,000	1,970	1,940
Springboard Finance, LLC	Telecommunications	L + 5.00%	02/2015	1,858	1,871	1,846
Styron S.A.R.L.	Chemicals, Plastics and Rubber	L + 4.50%	08/2017	2,985	2,933	2,681
Terex Corporation	Machinery	L + 4.00%	04/2017	1,200	1,194	1,176
Universal Health Services	Healthcare, Education and Childcare	L + 3.00%	11/2016	1,526	1,533	1,478
Univision Communications Inc.	Broadcasting and Entertainment	L + 4.25%	03/2017	2,000	1,900	1,678
U.S. Security Associates Holdings, Inc.	Diversified Conglomerate Manufacturing	L + 4.75%	08/2017	-	(2 )	(5 )
U.S. Security Associates Holdings, Inc.	Diversified Conglomerate Manufacturing	L + 4.75%	08/2017	837	829	810
Valitas Health Services, Inc.	Healthcare, Education and Childcare	L + 4.50%	06/2017	1,496	1,459	1,444
Warner Chilcott Company LLC	Healthcare, Education and Childcare	L + 3.25%	03/2018	142	142	138
Warner Chilcott Corporation	Healthcare, Education and Childcare	L + 3.25%	03/2018	284	284	276
Water Pik, Inc.	Home and Office Furnishings, Housewares, and Durable Consumer	L + 5.25%	08/2017	2,800	2,772	2,744
WC Luxco Sarl	Healthcare, Education and Childcare	L + 3.25%	03/2018	195	195	190
Total				\$ 99,178	\$ 97,485	\$ 95,050



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

#### **Note 8. Commitments and Contingencies**

**Commitments:** The Company had outstanding commitments to fund investments totaling \$57,107 and \$49,449 under various undrawn revolvers and other credit facilities as of March 31, 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.



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

(In thousands, except shares and per share data)

**Note 9. Financial Highlights**

The financial highlights for the Company are as follows:

	Six months ended March 31,			
	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	0.03		-	
Costs related to public offering	(0.03	)	-	
Dividends and distributions declared	(0.64	)	(0.63	)
Net investment income	0.59		0.59	
Net realized (loss) gain on investments	(0.22	)	0.11	
Net realized gain (loss) on derivative instruments	0.04		-	
Net change in unrealized appreciation (depreciation) on investments	0.19		(0.03	)
Net change in unrealized appreciation (depreciation) on derivative instruments	0.17		-	
Net asset value at end of period	\$ 14.69		\$ 14.75	
Per share market value at end of period	\$ 15.27		\$ 15.78	
Total return based on market value <sup>(2)</sup>	7.14	%	7.25	%
Total return based on average net asset value*	10.43	%	8.99	%
Shares outstanding at end of period	25,639,371		17,755,976	
Ratios/Supplemental Data:				
Ratio of expenses (without incentive fees) to average net assets*	6.56	%	5.64	%
Ratio of incentive fees to average net assets* <sup>(3)</sup>	1.39	%	0.31	%
Ratio of total expenses to average net assets* <sup>(3)</sup>	7.95	%	5.95	%
Ratio of net investment income to average net assets*	7.93	%	7.91	%
Net assets at end of period	\$ 376,725		\$ 261,977	
Average debt outstanding	\$ 287,205		\$ 186,640	
Average debt outstanding per share	\$ 11.20		\$ 10.51	
Portfolio turnover*	31.91	%	60.76	%

\* Annualized for a period less than one year.

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

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

(3) During the six months ended March 31, 2012, the Investment Adviser irrevocably waived \$647 of incentive fees attributable to the TRS. Had the Investment 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 1.77% and 8.32%, respectively, for the six months ended March 31, 2012.

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

(In thousands, except shares and per share data)

**Note 10. Earnings Per Share**

The following information sets forth the computation of the net increase in net assets per share resulting from operations for the three and six months ended March 31, 2012 and 2011:

	Three months ended March 31,		Six months ended March 31,	
	2012	2011	2012	2011
Earnings available to stockholders	\$ 11,431	\$ 5,876	\$ 17,621	\$ 11,838
Basic and diluted weighted average shares outstanding	24,059,623	17,738,395	22,890,820	17,725,418
Basic and diluted earnings per share	\$ 0.48	\$ 0.33	\$ 0.77	\$ 0.67

**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 six months ended March 31, 2012 and 2011.

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Six months ended March 31, 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
Six months ended March 31, 2012						
12/07/2011	12/19/2011	12/29/2011	\$ 0.32	\$ 6,580	25,052	\$ 1,180
2/2/2012	3/16/2012	3/29/2012	\$ 0.32	\$ 7,381	55,416	\$ 805

**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 April 11, 2012, GCMF terminated the TRS that it had entered into with Citibank. Upon termination of the TRS, the Company recorded a realized gain of \$2,262, which consisted of spread interest income of \$1,064 and a realized gain of \$1,198 million on the referenced loans. The Company received \$19,912 of cash collateral that had secured the obligations to Citibank under the TRS, and the Company will receive the cash proceeds from the gain recognized on the sale of loans and spread interest income in June 2012. The Company intends to use the proceeds from the termination of the TRS to fund new middle-market debt and equity investments.

On May 1, 2012, the Company's Board declared a quarterly distribution of \$0.32 per share payable on June 29, 2012 to holders of record as of June 15, 2012.

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

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

### Forward-Looking Statements

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

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

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," "pre" or similar words. The forward-looking statements contained in this quarterly report on Form 10-Q involve risks and uncertainties, many of which are beyond our control and difficult to predict. Our actual results could differ materially from those implied or expressed in the forward-looking statements for any reason, including the factors set forth as "Risk Factors" and elsewhere in this quarterly report on Form 10-Q.

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

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

## Overview

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we have elected to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a business development company and a RIC, we are also subject to certain constraints, including limitations imposed by the 1940 Act and the Code. We were formed in November 2009 to continue and expand the business of our predecessor, Golub Capital Master Funding LLC, or GCMF, which commenced operations in July 2007, in making investments in senior secured, one stop (a loan that combines characteristics of traditional first lien senior secured loans and second lien or subordinated loans), 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.

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 in capital under management as of March 31, 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 an investment advisory agreement, or the Investment Advisory Agreement, entered into on April 14, 2010, and amended and restated on July 16, 2010, we have agreed to pay GC Advisors an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. We have also entered into an administration agreement, or the Administration Agreement, with GC Service Company, LLC, or GC Service, under which we have agreed to reimburse GC Service for our allocable portion (subject to the review and approval of our independent directors) of overhead and other expenses incurred by GC Service in performing its obligations under the Administration Agreement.

We seek to create a diverse portfolio that includes senior secured, 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 in some of our portfolio companies and generally expect that the size of our individual investments will vary proportionately with the size of our capital base.

As of March 31, 2012, our portfolio at fair value was comprised of 36.8% senior secured loans, 40.9% one stop loans, 7.5% second lien loans, 11.9% mezzanine loans and 2.9% 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 March 31, 2012 and September 30, 2011, we had debt investments in 109 and 103 portfolio companies, respectively. For the three and six months ended March 31, 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 9.6% and 9.4% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 10.5% and 10.4%, respectively. For the three and six months ended March 31, 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 8.3% and 8.3% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 9.9% and 10.3%, 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 payment-in-kind, or PIK, interest. The principal amount of loans and any accrued but unpaid interest generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination fees, original issue discount and market discount or premium are capitalized, and we accrete or amortize such amounts as interest income. We record prepayment premiums on loans as interest income. When we receive partial principal payments on a loan in an amount that exceeds its amortized cost, we record the excess principal payment as interest income. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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

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

organizational expenses;

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

offerings of our common stock and other securities;

investment advisory and management fees;

administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement 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);

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

- transfer agent, dividend agent and custodial fees and expenses;
- U.S. federal and state registration and franchise fees;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- costs associated with individual or group stockholders;
- 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 Golub Capital BDC 2010-1 LLC, or the Securitization Issuer, under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee. Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term “collection period” refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the initial structuring of a \$300 million term debt securitization, or the Debt Securitization. The Securitization Issuer also agreed to pay ongoing administrative expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports and providing required services in connection with the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to an administrative expense cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus \$150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap. We believe that these administrative expenses approximate the amount of ongoing fees and expenses that we would be required to pay in connection with a traditional secured credit facility. Our common stockholders indirectly bear all of these expenses.

## Recent Developments

On April 11, 2012, GCMF terminated the total return swap, or TRS, that it had entered into with Citibank, N.A., or Citibank. Upon termination of the TRS, we recorded a realized gain of \$2.3 million, which consisted of spread interest income of \$1.1 million and a realized gain of \$1.2 million on the referenced loans. We received \$19.9 million of cash collateral that had secured the obligations to Citibank under the TRS, and we will receive the cash proceeds from the gain recognized on the sale of loans and spread interest income in June 2012. We intend to use the proceeds from the termination of the TRS to fund new middle-market debt and equity investments.

On May 1, 2012, our board of directors declared a quarterly distribution of \$0.32 per share payable on June 29, 2012 to holders of record as of June 15, 2012.

After experiencing strong originations and net funds growth in the quarters ended March 31, 2012 and December 31, 2011, we anticipate slower originations and net funds growth in the quarter ended June 30, 2012.

**Consolidated Results of Operations**

Consolidated operating results for the three and six months ended March 31, 2012 and 2011 are as follows:

	Three months ended March 31,		Variances 2012 vs. 2011	Six months ended March 31,		Variances 2012 vs. 2011
	2012	2011		2012	2011	
	(In thousands)					
Interest income	\$ 13,062	\$ 7,883	\$ 5,179	\$ 24,072	\$ 15,067	\$ 9,005
Income from amortization of discounts and origination fees	1,290	1,228	62	2,380	3,181	(801 )
Dividend income	-	-	-	377	-	377
Total investment income	14,352	9,111	5,241	26,829	18,248	8,581
Total expenses	7,287	3,930	3,357	13,423	7,834	5,589
Net investment income	7,065	5,181	1,884	13,406	10,414	2,992
Net realized (losses) gains on investments and derivative instruments	(2,093 )	1,049	(3,142 )	(3,944 )	1,925	(5,869 )
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	6,459	(354 )	6,813	8,159	(501 )	8,660
Net income	\$ 11,431	\$ 5,876	\$ 5,555	\$ 17,621	\$ 11,838	\$ 5,783
Average earning portfolio company investments, at fair value	\$ 553,494	\$ 373,065	\$ 180,429	\$ 517,562	\$ 359,202	\$ 158,360
Average debt outstanding	\$ 301,108	\$ 194,000	\$ 107,108	\$ 287,205	\$ 186,640	\$ 100,565

The results of operations for the three and six months ended March 31, 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.

***Investment Income***

Interest income increased by \$5.2 million from the three months ended March 31, 2011 to the three months ended March 31, 2012 and was primarily driven by an increase in the weighted average investment balance of earning investments from \$373.1 million for the three months ended March 31, 2011 to \$553.5 million for the three months ended March 31, 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 8.3% for the three months ended March 31, 2011 to 9.6% for the three months ended March 31, 2012.

Interest income increased by \$9.0 million from the six months ended March 31, 2011 to the six months ended March 31, 2012 and was primarily driven by an increase in the weighted average investment balance of earning investments from \$359.2 million for the six months ended March 31, 2011 to \$517.6 million for the six months ended March 31, 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 8.3% for the six months ended March 31, 2011 to 9.4% for the six months ended March 31, 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 6.4% and 29.2%, respectively, of the total investment in portfolio companies as of March 31, 2011 to 11.9% and 40.9%, respectively, of the total investment in portfolio companies as of March 31, 2012. From March 31, 2011 to March 31, 2012, lower yielding senior secured investments decreased from 55.8% to 36.8% 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 six months ended March 31, 2012 and 2011 was as follows:

	Three months ended March 31,			Six months ended March 31,				
	2012		2011	2012		2011		
Senior secured	7.4	%	7.2	%	7.4	%	7.2	%
One stop	8.9	%	8.5	%	8.8	%	8.6	%
Second lien <sup>(1)</sup>	11.8	%	9.9	%	11.3	%	9.8	%
Subordinated debt	14.1	%	13.9	%	14.0	%	14.0	%

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

Interest rate yields increased for the three and six months ended March 31, 2012 for senior secured, one stop and second lien product categories, primarily due to increased pricing on new originations for these product types from pricing for the three and six months ended March 31, 2011. Interest rate yields on fixed rate subordinated debt remained relatively flat as pricing on new originations remained relatively flat the past two quarters. For additional details on investment yields and asset mix, refer to the “*Liquidity and Capital Resources - Portfolio Composition, Investment Activity and Yield*” section below.

Income from the amortization of discounts and origination fees increased by \$0.1 million from the three months ended March 31, 2011 to the three months ended March 31, 2012. Income from the amortization of discounts and origination fees decreased by \$0.8 million from the six months ended March 31, 2011 to the six months ended March 31, 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 six months ended March 31, 2011, the discounts and origination fees accelerated into income were larger than for the six months ended March 31, 2012.

Dividend income increased by \$0.4 million from the six months ended March 31, 2011 to the six months ended March 31, 2012 as a result of dividend income received from an equity investment in a portfolio company.

### ***Expenses***

The following table summarizes our expenses:

	Three months ended March 31,			Six months ended March 31,		Variances 2012 vs. 2011
	2012	2011	2012 vs. 2011	2012	2011	
	(In thousands)					
Interest and other debt financing expenses	\$2,580	\$1,467	\$ 1,113	\$ 4,946	\$ 3,044	\$ 1,902
Base management fee	2,093	1,341	752	3,967	2,625	1,342
Incentive fee	1,434	221	1,213	2,344	411	1,933
Professional fees	559	491	68	1,147	1,058	89
Administrative service fee	455	214	241	718	387	331
General and administrative expenses	166	196	(30 )	301	309	(8 )
Total expenses	\$7,287	\$3,930	\$ 3,357	\$ 13,423	\$ 7,834	\$ 5,589

Interest and debt financing expenses increased from the three months ended March 31, 2011 to the three months ended March 31, 2012 primarily due to an increase in the weighted average of outstanding borrowings from \$194.0 million for the three months ended March 31, 2011 to \$301.1 million for the three months ended March 31, 2012. In addition to the \$174.0 million of borrowings under the Debt Securitization that was outstanding for the three months ended March 31, 2012 and 2011, we increased our use of debt through our small business investment company, or SBIC, subsidiary and our revolving credit facility, or the Credit Facility, which had outstanding balances of \$123.5 million and \$34.2 million, respectively, as of March 31, 2012 and \$20.0 million and zero, respectively, as of March 31, 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 3.0% for the three months ended March 31, 2011 to 3.4% for the three months ended March 31, 2012.



Interest and debt financing expenses increased from the six months ended March 31, 2011 to the six months ended March 31, 2012 primarily due to an increase in the weighted average of outstanding borrowings from \$186.6 million for the six months ended March 31, 2011 to \$287.2 million for the six months ended March 31, 2012. To a lesser extent, the increase in interest expense was also caused by an increase in the effective annualized average interest rate on our outstanding debt from 3.3% for the six months ended March 31, 2011 to 3.4% for the six months ended March 31, 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 six months ended March 31, 2011 to the three and six months ended March 31, 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 \$1.2 million and \$1.9 million from the three and six months ended March 31, 2011 to the three and six months ended March 31, 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. For the periods ending September 30, 2011 and prior, we had included interest spread payments, which represent the difference between the interest and fees received on the referenced assets underlying the TRS and the interest paid to Citibank on the settled notional value of the TRS, from the TRS in the capital gains component of the incentive fee calculation as this is consistent with generally accepted accounting principles in the United States of America, or GAAP, which records such payments in net realized gains/(losses) on derivative instruments in the consolidated statement of operations. However, we changed our methodology in the first fiscal quarter of fiscal year 2012 pursuant to discussions with the Staff of the SEC, resulting in the TRS interest spread payments being included in the income component of the incentive fee calculation.

For the three and six months ended March 31, 2012, we received interest spread payments from the TRS of \$0.9 million and \$1.6 million, respectively. For the three months ended December 31, 2011, including the interest spread payments from the TRS in the income component of the incentive fee calculation caused an increase in the incentive fee by \$0.6 million. Upon reviewing the incentive fee calculation and the treatment of the interest spread payments from the TRS, 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 March 31, 2012, the incentive fee was \$1.4 million. For the six months ended March 31, 2012, after taking into account the waiver by GC Advisors, the incentive fee was \$2.3 million, rather than \$2.9 million. The incentive fee for the three and six months ended March 31, 2011 was \$0.2 million and \$0.4 million, respectively.

Golub Capital Incorporated pays for certain expenses incurred by us. These expenses are subsequently reimbursed in cash. Total expenses reimbursed to Golub Capital Incorporated for the three and six months ended March 31, 2012 were \$0.1 million and \$0.2 million, respectively. Total expenses reimbursed to Golub Capital Incorporated for the three and six months ended March 31, 2011 were \$0.1 million and \$0.2 million, respectively.

As of March 31, 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 March 31,		Variances 2012 vs. 2011	Six months ended March 31,		Variances 2012 vs. 2011
	2012	2011		2012	2011	
	(In thousands)					
Net realized (loss) gain on investments	\$(2,817)	\$1,049	\$ (3,866 )	\$ (4,932 )	\$ 1,925	\$ (6,857 )
Net realized gain on TRS	955	-	955	1,591	-	1,591
Net realized (loss) on financial futures contracts	(231 )	-	(231 )	(603 )	-	(603 )
Net realized (loss) gain	(2,093)	1,049	(3,142 )	(3,944 )	1,925	(5,869 )
Unrealized (depreciation) on investments	(2,924)	(2,428)	(496 )	(6,811 )	(5,174 )	(1,637 )
Unrealized appreciation on investments	6,956	2,074	4,882	11,186	4,673	6,513
Unrealized appreciation on TRS	1,870	-	1,870	3,325	-	3,325
Unrealized appreciation on financial futures contracts	557	-	557	459	-	459
Net change in unrealized appreciation (depreciation) on investments and derivative instruments	\$6,459	\$(354 )	\$ 6,813	\$ 8,159	\$ (501 )	\$ 8,660

For the three and six months ended March 31, 2012, we had net realized losses on investments of \$(2.8) million and \$(4.9) million, respectively, primarily as a result of the sale of our investment in one non-accrual portfolio company in the three months ended March 31, 2012 and the sale of our investment in one non-accrual portfolio company in the three months ended December 31, 2011. During the three months ended March 31, 2012, we had \$6.9 million in unrealized appreciation on 32 portfolio company investments, which was partially offset by \$(2.9) million in unrealized depreciation on 82 portfolio company investments. For the six months ended March 31, 2012, we had \$11.2 million in unrealized appreciation on 46 portfolio company investments, which was partially offset by \$(6.8) million in unrealized depreciation on 76 portfolio company investments. Unrealized appreciation during the three and six months ended March 31, 2012 resulted from an increase in fair value primarily due to the rise in market prices and a reversal of prior period unrealized depreciation. Unrealized depreciation primarily resulted from negative credit related adjustments which caused a reduction in fair value.

For the three and six months ended March 31, 2011, we had \$1.0 million and \$1.9 million in net realized gains, respectively. For the three months ended March 31, 2011, we had \$(2.4) million in unrealized depreciation on 76

portfolio company investments, which was partially offset by \$2.0 million in unrealized appreciation on 26 portfolio company investments. For the six months ended March 31, 2011, we had \$(5.2) million in unrealized depreciation on 71 portfolio company investments, which was partially offset by \$4.7 million in unrealized appreciation on 44 portfolio company investments.

Net unrealized depreciation during the three and six months ended March 31, 2011 was primarily due to sales of securities in an unrealized gain position. As described above, these sales resulted in realized gains of \$1.0 million and \$1.9 million, respectively.

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.

As of March 31, 2012, the fair value of the TRS was \$1.5 million, comprised of spread interest income of \$1.0 million, realized gains of \$0.1 million on the referenced loans, and an unrealized gain on the referenced loans of \$0.4 million. 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 \$1.9 million and \$3.3 million for the three and six months ended March 31, 2012, respectively. Realized gains on the TRS for the three months ended March 31, 2012 were \$1.0 million, which consisted of spread interest income of \$0.9 million and a realized gain of \$0.1 million on the referenced loans. Realized gains on the TRS for the six months ended March 31, 2012 were \$1.6 million, which consisted of spread interest income of \$1.5 million and a realized gain of \$0.1 million on the referenced loans.

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 March 31, 2012 and September 30, 2011, the fair value of the futures contracts was \$0.3 million and \$(1.0) million, respectively. For the three and six months ended March 31, 2012, the realized loss on settlement of futures contracts was \$(0.2) million and \$(0.6) million, respectively. For the three and six months ended March 31, 2012, the change in unrealized appreciation related to the futures contracts was \$0.6 million and \$0.5 million, respectively. The gains on the futures contracts were a result of the increase in the ten-year U.S. Treasury rate. The futures contracts will mature in June 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 six months ended March 31, 2012, we experienced a net decrease in cash and cash equivalents of \$16.2 million. During the period, we used \$131.9 million in operating activities, primarily as a result of fundings of portfolio investments of \$237.6 million. This was partially offset by proceeds from principal payments and sales of portfolio investments of \$86.5 million and net investment income of \$13.4 million. During the same period, cash used in investment activities of \$19.1 million was driven by the change in restricted cash and cash equivalents. Lastly, cash provided by financing activities was \$134.8 million, primarily due to borrowings on debt of \$131.9 million and proceeds from shares sold from our public offering of \$57.2 million (described below), partially offset by repayments of debt of \$37.9 million and distributions paid of \$14.0 million.

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.

For the six months ended March 31, 2011, we experienced a net decrease in cash and cash equivalents of \$17.4 million. During the period, we used \$41.1 million in operating activities, primarily as a result of fundings of portfolio investments of \$150.0 million, which was partially offset by proceeds from principal payments and sales of portfolio investments of \$109.3 million and net investment income of \$10.4 million. During the same period, cash provided by investing activities was \$15.7 million as a result of an increase in restricted cash and cash equivalents. Lastly, cash provided by financing activities was \$8.6 million, primarily due to borrowings on debt of \$20.0 million, which was partially offset by distributions paid of \$10.4 million.

As of March 31, 2012 and September 30, 2011, we had cash and cash equivalents of \$30.1 million and \$46.4 million, respectively. In addition, we had restricted cash and cash equivalents of \$42.5 million and \$23.4 million as of March 31, 2012 and September 30, 2011, respectively. Cash and cash equivalents are available to fund new investments, pay operating expenses and pay distributions. As of March 31, 2012, \$15.4 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. \$8.6 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 \$18.5 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 March 31, 2012 and September 30, 2011, we had outstanding commitments to fund investments totaling \$57.1 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 March 31, 2012 and September 30, 2011, subject to the terms of each loan's respective credit agreement.

As of March 31, 2012 and September 30, 2011, subject to leverage and borrowing base restrictions, we had approximately \$40.8 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 March 31, 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. Unless specifically approved by the SBA, the other licensee was prohibited by the SBA from making certain new investments when GC SBIC IV, L.P. received its license on August 24, 2010. The affiliated SBIC licensee is limited to only making add-on investments in existing portfolio companies. 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. 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. For purposes of compliance with the asset coverage ratio test, we have agreed with the Staff of the SEC to treat the outstanding notional amount of the TRS, less the amount of cash collateral on deposit with the custodian 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. As of March 31, 2012, our asset coverage for borrowed amounts was 235.3%. Our pro forma asset coverage for borrowed amounts to give effect to the termination of the TRS that occurred on April 11, 2012 is 280.0%.

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

We believe that our existing cash and cash equivalents and available borrowings as of March 31, 2012 will be sufficient to fund our anticipated requirements through at least March 31, 2013.

*Portfolio Composition, Investment Activity and Yield*

As of March 31, 2012 and September 30, 2011, we had investments in 109 and 103 portfolio companies, respectively, with a total value of \$613.8 million and \$459.8 million, respectively. The following table shows the asset mix of our new originations for the three and six months ended March 31, 2012 and 2011:



	Three months ended March 31, 2012			2011			Six months ended March 31, 2012			2011		
	(In thousands)	Percentage Commitments		(In thousands)	Percentage Commitments		(In thousands)	Percentage Commitments		(In thousands)	Percentage Commitments	
Senior secured	\$38,885	39.5	%	\$36,800	67.4	%	\$88,202	33.6	%	\$11,371	6.8	%
One stop	35,323	35.9		17,251	31.6		97,468	37.1		19,815	11.8	
Second lien	11,905	12.1		-	-		32,636	12.4		50,204	29.8	
Subordinated debt	8,708	8.9		-	-		35,783	13.7		82,696	49.1	
Equity securities	3,533	3.6		541	1.0		8,399	3.2		4,199	2.5	
Total new investment commitments	\$98,354	100.0	%	\$54,592	100.0	%	\$262,488	100.0	%	\$168,285	100.0	%

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

For the three and six months ended March 31, 2011, we had approximately \$24.1 million and \$75.4 million in debt repayments, respectively. For the three and six months ended March 31, 2011, we had sales of securities in 13 and 18 portfolio companies aggregating approximately \$21.9 million and \$33.9 million, respectively.

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

	As of March 31, 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	\$ 225,893	\$ 221,714	\$ 223,108	\$ 203,647	\$ 201,018	\$ 200,940
Non-accrual <sup>(2)</sup>	7,334	7,328	2,801	9,078	8,711	2,891
One stop:						
Performing	252,091	248,133	251,117	178,854	176,393	177,880
Non-accrual <sup>(2)</sup>	-	-	-	-	-	-
Second lien <sup>(3)</sup> :						
Performing	46,235	44,578	45,673	21,922	21,531	21,922
Non-accrual <sup>(2)</sup>	-	-	-	-	-	-
Subordinated debt:						
Performing	73,402	72,117	73,271	46,804	45,888	46,804
Non-accrual <sup>(2)</sup>	-	-	-	-	-	-
Equity	N/A	17,752	17,827	N/A	9,420	9,390
Total	\$ 604,955	\$ 611,622	\$ 613,797	\$ 460,305	\$ 462,961	\$ 459,827

(1) Fourteen of our loans included a feature permitting a portion of the interest due on such loan to be PIK interest as of March 31, 2012 and September 30, 2011.

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."

(2) Second lien loans included \$11.6 million and \$12.3 million of loans structured as first lien last out term loans as of March 31, 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 six months ended March 31, 2012 and 2011:

	Three months ended		Six months ended March			
	March 31,		31,		2011	
	2012	2011	2012	2011	2012	2011
Weighted average rate of new investment fundings	8.9	7.2	9.4	8.3	%	%
Weighted average spread over LIBOR of new floating rate investment fundings	7.0	5.6	7.2	6.1	%	%
Weighted average rate of new fixed rate investment fundings	13.0	N/A	13.9	13.6	%	%
Weighted average fees of new investment fundings	1.7	1.2	2.0	1.7	%	%
Weighted average rate of sales and payoffs of portfolio companies	7.4	6.0	7.5	6.6	%	%

For the three and six months ended March 31, 2012, the weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield on the fair value of income producing loans in our portfolio was 9.6% and 9.4%, respectively. For the three and six months ended March 31, 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 8.3% and 8.3%, respectively. As of March 31, 2012, 80.8% and 80.2% 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. 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.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of March 31, 2012 and September 30, 2011.

Investment Performance Rating	March 31, 2012		September 30, 2011		
	Investments at Fair Value (In thousands)	Percentage of Total Investments	Investments at Fair Value (In thousands)	Percentage of Total Investments	
5	\$94,481	15.3	% \$49,691	10.8	%
4	463,855	75.4	360,259	78.7	
3	54,140	8.8	45,141	9.9	
2	-	-	2,891	0.6	
1	2,801	0.5	-	-	
Total	\$615,277	100.0	% \$457,982	100.0	%

<sup>(1)</sup> As of March 31, 2012 and 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 March 31, 2012 and September 30, 2011 was \$1.5 million and \$(1.8) million, respectively.

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

A summary of our significant contractual payment obligations as of March 31, 2012 is as follows:

	Payments Due by Period (In millions)				
	Total	Less Than		3-5 Years	More Than
		1 Year	1-3 Years		5 Years
Debt Securitization	\$ 174.0	\$ -	\$ -	\$ -	\$ 174.0
SBA debentures	123.5	-	-	-	123.5
Credit Facility	34.2	-	-	34.2	-
Unfunded commitments <sup>(1)</sup>	57.1	57.1	-	-	-
Total contractual obligations	\$ 388.8	\$ 57.1	\$ -	\$ 34.2	\$ 297.5

(1) Unfunded commitments represent all amounts unfunded as of March 31, 2012. These amounts may or may not be funded to the borrowing party now or in the future. The unfunded commitments relate to loans with various maturity dates, but we are showing this amount in the less than one year category, as this entire amount was eligible for funding to the borrowers as of March 31, 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 March 31, 2012 and September 30, 2011, we had outstanding commitments to fund investments totaling \$57.1 million and \$49.4 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.

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 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.

## **Related Party Transactions**



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

We have entered into the Investment Advisory Agreement with GC Advisors. Mr. Lawrence Golub, our chairman, is a manager of GC Advisors, and Mr. David Golub, our chief executive officer, is a manager of GC Advisors, and each of Messrs. Lawrence Golub and David Golub owns an indirect pecuniary interest in GC Advisors.

GC Service provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement.

We have entered into a license agreement with Golub Capital LLC, pursuant to which Golub Capital LLC has granted us a non-exclusive, royalty-free license to use the name "Golub Capital."

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

Services under the Staffing Agreement are provided on a direct cost reimbursement basis.

Golub Capital and its affiliates purchased an aggregate of \$2.0 million of shares in our common stock offering that closed on April 6, 2011. In addition, Mr. William M. Webster IV, one of our directors, purchased 25,000 shares in our common stock offering. In our common stock offering that closed on February 3, 2012, Golub Capital Employee Grant Program Rabbi Trust, a trust organized for the purpose of awarding equity incentive compensation to employees of Golub Capital, purchased an aggregate of \$3.1 million of shares. In addition, Mr. William M. Webster IV, one of our directors, purchased 15,000 shares in the offering, and Mr. John T. Baily, one of our directors, purchased \$75,000 of shares in the offering.

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

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

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

### **Critical Accounting Policies**

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

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

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

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

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

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

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of GC Advisors responsible for credit monitoring.
- Preliminary valuation conclusions are then documented and discussed with our senior management and GC Advisors.
- The audit committee of our board of directors reviews these preliminary valuations.

· At least once annually, the valuation for each portfolio investment is reviewed by an independent valuation firm. Our board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith.

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

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

We follow Accounting Standards Codification 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. Our fair value analysis includes an analysis of the value of any unfunded loan commitments. Assets and liabilities are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or a liability's categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value

measurement in its entirety requires judgment, and considers factors specific to the asset or liability. We assess the levels of investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfers. There were no transfers among Level 1, 2 and 3 investments during the six months ended March 31, 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 March 31, 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 investments 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, 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 use the midpoint of the bid/ask range as our 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. 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 we or our board of directors have 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.

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 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 we were required to liquidate a portfolio investment in a forced or liquidation sale, we may realize significantly less than the value at which such investment had previously been recorded.

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

***Revenue Recognition:***

Our revenue recognition policies are as follows:

*Investments and Related Investment Income:* Our board of directors determines the fair value of our portfolio of investments. Interest income is accrued based upon the outstanding principal amount and contractual interest terms of debt investments. Premiums, discounts, and origination fees are amortized or accreted into interest income over the life of the respective debt investment. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we do not accrue PIK interest if the portfolio company valuation indicates that the PIK is not likely to be collectible. Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

We account for investment transactions on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. We report changes in fair value of investments 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 our management's judgment, are likely to remain current. The total fair value of our non-accrual loans was \$2.8 million and \$2.9 million as of March 31, 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 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 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 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.

### **Recently Issued Accounting Standards**

See Note 2 to the consolidated financial statements for a description of recent accounting pronouncements, including the dates of adoption and the impact on the consolidated financial statements.

### **Item 3: Quantitative and Qualitative Disclosures About Market Risk.**

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

#### **Item 4: Controls and Procedures.**

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

## **Part II – Other Information**

#### **Item 1: Legal Proceedings.**

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

**Item 1A: Risk Factors.**

None.

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

None.

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

None.

**Item 4: Removed and Reserved.**

**Item 5: Other Information.**

None.

**Item 6: Exhibits.**

**EXHIBIT INDEX**

Number Description

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

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\* Filed herewith

## SIGNATURES

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

Golub Capital BDC, Inc.

Dated: May 2, 2012 By/s/ David B. Golub  
David B. Golub  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 2, 2012 By/s/ Ross A. Teune  
Ross A. Teune  
Chief Financial Officer  
(Principal Accounting and Financial Officer)