LIEBHABER RICHARD
Form 4
December 19, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
LIEBHABER RICHARD

(Last) (First) (Middle)

1015 31ST ST. NW

(Street)

WASHINGTON, DC 20007

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COGENT COMMUNICATIONS GROUP INC [CCOI]

3. Date of Earliest Transaction (Month/Day/Year)
12/19/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
common stock	12/19/2008 (1)		A		7,500	A	$ 0	21,710	D (1)	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LIEBHABER RICHARD 1015 31ST ST. NW WASHINGTON, DC 20007	X			

Signatures

Richard T. Liebhaber	12/19/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) For services to the board of directors during 2008, Mr. Liebhaber received 7,500 shares of stock on December 19, 2008. All shares are owned directly by Mr. Liebhaber, a director of Cogent Communications Group, Inc.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. "> 2.2

Printing and Publishing	16,121	3.7	3,463	1.0
Retail Stores	46,270	10.5	28,455	8.3
Telecommunications	3,545	0.8	4,224	1.2
Textiles and Leather	4,288	1.0	4,699	1.4
Utilities	-	-	5,931	1.7
Total	$438,855	100.0%	$344,869	100.0%

24

Explanation of Responses:

Note 5. Fair Value Measurements

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

Level 1: Inputs are unadjusted, quoted prices in active markets for identical financial instruments at the measurement date.
Level 2: Inputs include quoted prices for similar financial instruments in active markets and inputs that are observable for the financial instruments, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3: Inputs include significant unobservable inputs for the financial instruments and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information available and may require significant management judgment or estimation.

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

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

When valuing Level 3 debt and equity investments, the Company may take into account the following factors, where relevant, in determining the fair value of the investments: the enterprise value of a portfolio company, the nature and realizable valuable of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons to publicly traded securities, changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made and other relevant factors. In addition, for certain debt and equity investments, the Company may base its valuation on indicative bid and ask prices provided by an independent third party pricing service. Bid prices reflect the highest price that the Company and others may be willing to pay. Ask prices represent the lowest price that the Company and others may be willing to accept for an investment. The Company generally uses the midpoint of the bid/ask range as its best estimate of fair value of such investment. For valuation of the Company's total return swap, refer to disclosures in Note 7.

25

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

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

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

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

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

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

---

(1) Refer to Note 7 for additional disclosures.

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

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

26

Explanation of Responses:

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

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

(1) Refer to Note 7 for additional disclosures.

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

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

Note 6. Borrowings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28

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

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

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

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

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

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

Note 7. Total Return Swap

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

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

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

29

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

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

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

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

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

Note 8. Commitments and Contingencies

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

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

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

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

30

Note 9. Financial Highlights

The financial highlights for the Company are as follows:

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

---

(1) Based on actual number of shares outstanding at the end of the corresponding period or the weighted average shares outstanding for the period, unless otherwise noted, as appropriate.
(2) Total return based on market value assumes dividends are reinvested.
(3) Total return based on average net asset value is not annualized.
(4) Per share data are not provided as the Company did not have shares of common stock outstanding or an equivalent prior to the Offering on April 14, 2010.
(5) Annualized.

Note 10. Earnings Per Share

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

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

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

31

Note 11. Dividends and Distributions

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

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

Note 12. Subsequent Events

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

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

Revolving Credit Facility

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

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

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

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

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

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

Forward-Looking Statements

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

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

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

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

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

Overview

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

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

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

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

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

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

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

As of June 30, 2011 and September 30, 2010, we had debt investments in 99 and 94 portfolio companies, respectively. For the three months ended June 30, 2011 and September 30, 2010, our income producing loans, which represented nearly 100% of our total portfolio, had a weighted average annualized interest income (which excludes income resulting from amortization of fees and discounts) yield of 8.6% and 8.1% and a weighted average annualized investment income (which includes interest income and amortization of fees and discounts) yield of 9.6% and 9.8%, respectively.

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

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

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

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

GC Advisors, as collateral manager for the Golub Capital BDC 2010-1 LLC, or the Securitization Issuer, under the collateral management agreement, is entitled to receive an annual fee in an amount equal to 0.35% of the principal balance of the portfolio loans held by the Securitization Issuer at the beginning of the collection period relating to each payment date, which is payable in arrears on each payment date. This fee, which is less than the management fee payable under the Investment Advisory Agreement, is paid directly by the Securitization Issuer to GC Advisors and offset against such management fee. Accordingly, the 1.375% management fee paid by us to GC Advisors under the Investment Advisory Agreement on all of our assets, including those indirectly held through the Securitization Issuer, is reduced, on a dollar-for-dollar basis, by an amount equal to such 0.35% fee paid to GC Advisors by the Securitization Issuer. The term ''collection period'' refers to a quarterly period running from the day after the end of the prior collection period to the fifth business day of the calendar month in which a payment date occurs. This fee may be waived by the collateral manager. The collateral management agreement does not include any incentive fee payable to GC Advisors. In addition, the Securitization Issuer paid Wells Fargo Securities, LLC a structuring and placement fee for its services in connection with the initial structuring of the Debt Securitization. The Securitization Issuer also agreed to pay ongoing administrative expenses to the trustee, collateral manager, independent accountants, legal counsel, rating agencies and independent managers in connection with developing and maintaining reports, and providing required services in connection with, the administration of the Debt Securitization. The administrative expenses are paid by the Securitization Issuer on each payment date in two parts: (1) a component that is paid in a priority to other amounts distributed by the Securitization Issuer, subject to a cap equal to the sum of 0.04% per annum on the adjusted principal balance of the portfolio loans and other assets held by the Securitization Issuer on the last day of the collection period relating to such payment date, plus $150,000 per annum, and (2) a component that is paid in a subordinated position relative to other amounts distributed by the Securitization Issuer, equal to any amounts that exceed the aforementioned administrative expense cap.

Recent Developments

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

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

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

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

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

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

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

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

Revolving Credit Facility

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

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

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

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

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

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

Consolidated Results of Operations

The consolidated results of operations set forth below include historical financial information of our predecessor, GCMF, prior to our election to become a business development company and our election to be treated as a RIC for U.S. federal income tax purposes. As a business development company and a RIC, we are also subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code. Also, the management fee that we pay to GC Advisors under the Investment Advisory Agreement is determined by reference to a formula that differs materially from the management fee paid by GCMF in prior periods. In addition, our portfolio of investments consisted primarily of senior secured and unitranche loans as of June 30, 2011 and 2010, and over time we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business, these investments are repaid and we invest in a different mix of assets. For these and other reasons, the results of operations for the three and nine-month periods ended June 30, 2011 and 2010 described below may not be indicative of the results we report in future periods.

37

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

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

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

Investment Income

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

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

Expenses

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

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

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

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

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

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

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

Net Realized and Unrealized Gains and Losses

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

Portfolio Composition, Investment Activity and Yield

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

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

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

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

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

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

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

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

41

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

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

(1) Twelve and six of our loans included a feature permitting a portion of the interest due on such loan to be PIK interest as of June 30, 2011 and September 30, 2010, respectively.

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

(3) Second lien loans included $12.6 million and zero of loans structured as first lien last out term loans as of June 30, 2011 and September 30, 2010, respectively.

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

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

Risk Ratings Definition

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

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

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

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

Contractual Obligations and Off-Balance Sheet Arrangements

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

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

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

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

We have certain contracts under which we have material future commitments. We have entered into the Investment Advisory Agreement with GC Advisors in accordance with the 1940 Act. The Investment Advisory Agreement became effective upon the pricing of our initial public offering and was amended and restated on July 16, 2010 in order to offset fees payable in connection with the Debt Securitization against the base management fee. Under the Investment Advisory Agreement, GC Advisors provides us with investment advisory and management services. We pay for these services (1) a management fee equal to a percentage of the average adjusted value of our gross assets and (2) an incentive fee based on our performance. To the extent that GC Advisors or any of its affiliates provides investment advisory, collateral management or other similar services to a subsidiary of ours, we intend to reduce the base management fee by an amount equal to the product of (1) the total fees paid to GC Advisors by such subsidiary for such services and (2) the percentage of such subsidiary's total equity that is owned, directly or indirectly, by us.

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

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

Distributions

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

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

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

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

Related Party Transactions

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

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

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

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

Critical Accounting Policies

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

Valuation of Investments

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

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

45

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

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

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

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

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

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

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

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

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

46

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

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

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

Revenue Recognition:

Our revenue recognition policies are as follows:

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

Non-accrual: Loans may be left on accrual status during the period we are pursuing repayment of the loan. Management reviews all loans that become past due 90 days or more on principal and interest or when there is reasonable doubt that principal or interest will not be collected for possible placement on non-accrual status. We generally reverse accrued interest when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. We restore non-accrual loans to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current. The total fair value of our non-accrual loans were $3.4 million and $3.1 million as of June 30, 2011 and September 30, 2010, respectively.

47

Income taxes:

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

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

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

Item 3: Quantitative and Qualitative Disclosures About Market Risk.

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

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

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

Item 4: Controls and Procedures.

As of the period covered by this report, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective in timely alerting management, including the Chief Executive Officer and Chief Financial Officer, of material information about us required to be included in our periodic SEC filings. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, are based upon certain assumptions about the likelihood of future events and can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. There has not been any change in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Part II – Other Information

Item 1: Legal Proceedings.

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

Item 1A: Risk Factors.

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

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

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

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

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

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

We are subject to risks associated with the Credit Facility.

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

Our interests in Funding are subordinated.

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

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

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

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

The ability to sell investments held by Funding is limited.

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

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

None.

Item 3: Defaults Upon Senior Securities.

None.

Item 4: Removed and Reserved.

Item 5: Other Information.

None.

Item 6: Exhibits.

EXHIBIT INDEX

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

* - Filed herewith

SIGNATURES

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

Golub Capital BDC, Inc.

Dated: August 8, 2011	By	/s/ David B. Golub David B. Golub Chief Executive Officer (Principal Executive Officer)
Dated: August 8, 2011	By	/s/ Ross A. Teune Ross A. Teune Chief Financial Officer (Principal Accounting and Financial Officer)

52