

Golub Capital BDC, Inc.
Form N-2/A
December 23, 2011

As filed with the Securities and Exchange Commission on December 23, 2011

Securities Act File No. 333-174756

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

FORM N-2

- REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
 Pre-effective Amendment No. 2
 Post-effective Amendment No.

GOLUB CAPITAL BDC, INC.

(Exact Name of Registrant as Specified in Charter)

**150 South Wacker Drive, Suite 800
Chicago, Illinois 60606**

(Address of Principal Executive Offices)

(312) 205-5050

(Registrant's Telephone Number, Including Area Code)

**David B. Golub
Golub Capital BDC, Inc.
150 South Wacker Drive, Suite 800
Chicago, Illinois 60606**

(Name and Address of Agent for Service)

Copies to:

**Thomas J. Friedmann
David J. Harris
William J. Tuttle
Dechert LLP
1775 I Street, N.W.
Washington, D.C. 20006
(202) 261-3300**

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box.

It is proposed that this filing will become effective (check appropriate box):

when declared effective pursuant to section 8(c).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Thomas J. Friedmann David J. Harris William J. Tuttle Dechert LLP 1775 I Street, N.W. Washington, D.C. 20006 (2

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION , 2011

\$500,000,000

GOLUB CAPITAL BDC, INC.

Common Stock

Preferred Stock

Warrants

Subscription Rights

Debt Securities

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940. Our investment objective is to provide our stockholders with current income and capital appreciation through debt and minority equity investments in middle-market companies.

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

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

Risk Factors for more information.

Our common stock is traded on The NASDAQ Global Select Market under the symbol GBDC . The last reported closing price for our common stock on December 21, 2011 was \$15.88 per share. The net asset value of our common stock on September 30, 2011 (the last date prior to the date of this prospectus on which we determined net asset value) was \$14.56 per share.

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

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

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

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

The date of this prospectus is _____, 2011.

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

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ABOUT THIS PROSPECTUS

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

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

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PROSPECTUS SUMMARY

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

Except as otherwise indicated, the terms:

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

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

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

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

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

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

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

Golub Capital BDC

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

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

many cases with whom we have invested alongside in

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

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

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

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

Our Adviser

Our investment activities are managed by our investment adviser, GC Advisors. GC Advisors is responsible for sourcing potential investments, conducting research and due diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. GC Advisors was organized in September 2008 and is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. Under our amended and restated investment advisory agreement with GC Advisors, or the Investment Advisory Agreement, we pay GC Advisors a base management fee and an incentive fee for its services. See Management Agreements Management Fee for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to GC Advisors. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average-adjusted gross assets (including assets purchased with borrowed funds and securitization-related assets, leverage, unrealized depreciation or appreciation on derivative instruments and cash collateral on deposit with custodian but adjusted to exclude cash and cash equivalents so that investors do not pay the base management fee on such assets) and, therefore, GC Advisors benefits when we incur debt or use leverage. For purposes of the Investment Advisory Agreement, cash equivalents means U.S. government securities and commercial paper instruments maturing within 270 days of purchase (which is different than the definition under U.S. Generally Accepted Accounting Principles, or GAAP, which defines cash equivalents as U.S. government securities and commercial paper instruments maturing within 90 days of purchase). Additionally, under the incentive fee structure, GC Advisors benefits when capital gains are recognized and, because it determines when a holding is sold, GC Advisors controls the timing of the recognition of capital gains. Our board of directors is charged with protecting our interests by monitoring how GC Advisors addresses these and other conflicts of interest associated with its management services and compensation. While not expected to review or approve each borrowing, our independent directors periodically review GC Advisors services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See Management Agreements Board Approval of the Investment Advisory Agreement.

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

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

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

About Golub Capital

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

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

Market Opportunity

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

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

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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Organizational Structure

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

Recent Developments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are risks associated with the Debt Securitization, including:

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

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

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

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

Operating and Regulatory Structure

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

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

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

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

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

Conflicts of Interests

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

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

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

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

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