

Golub Capital BDC, Inc.  
Form 10-Q  
August 08, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2013

**OR**

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

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

Commission File Number 814-00794

**Golub Capital BDC, Inc.**

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-2326940**

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

**150 South Wacker Drive, Suite 800**

**Chicago, IL 60606**

(Address of principal executive offices)

**(312) 205-5050**

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of August 8, 2013, the Registrant had 39,791,805 shares of common stock, \$0.001 par value, outstanding.



**Part I. Financial Information**

Item 1. Financial Statements	3
Consolidated Statements of Financial Condition as of June 30, 2013 (unaudited) and September 30, 2012	3
Consolidated Statements of Operations for the three and nine months ended June 30, 2013 (unaudited) and 2012 (unaudited)	4
Consolidated Statements of Changes in Net Assets for the three and nine months ended June 30, 2013 (unaudited) and 2012 (unaudited)	5
Consolidated Statements of Cash Flows for the nine months ended June 30, 2013 (unaudited) and 2012 (unaudited)	6
Consolidated Schedules of Investments as of June 30, 2013 (unaudited) and September 30, 2012	7
Notes to Consolidated Financial Statements (unaudited)	20
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3. Quantitative And Qualitative Disclosures About Market Risk	62
Item 4. Controls and Procedures	63

**Part II. Other Information**

Item 1. Legal Proceedings	64
Item 1A. Risk Factors	64
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	64
Item 3. Defaults Upon Senior Securities	64
Item 4. Mine Safety Disclosures	64
Item 5. Other Information	64
Item 6. Exhibits	65

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

	June 30, 2013 (unaudited)	September 30, 2012
<b>Assets</b>		
Investments, at fair value (cost of \$962,485 and \$669,841, respectively)	\$ 967,792	\$ 672,910
Cash and cash equivalents	12,936	13,891
Restricted cash and cash equivalents	21,689	37,036
Interest receivable	5,520	3,906
Deferred financing costs	7,372	5,898
Other assets	448	455
<b>Total Assets</b>	<b>\$ 1,015,757</b>	<b>\$ 734,096</b>
<b>Liabilities</b>		
Debt	403,800	\$ 352,300
Interest payable	2,426	1,391
Management and incentive fees payable	5,808	4,203
Accounts payable and accrued expenses	2,225	1,073
<b>Total Liabilities</b>	<b>414,259</b>	<b>358,967</b>
<b>Net Assets</b>		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2013 and September 30, 2012	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 39,791,805 and 25,688,101 shares issued and outstanding as of June 30, 2013 and September 30, 2012, respectively	40	26
Paid in capital in excess of par	600,352	375,563
Capital distributions in excess of net investment income	(343	) 347
Net unrealized appreciation on investments and derivative instruments	7,975	5,737
Net realized loss on investments and derivative instruments	(6,526	) (6,544
<b>Total Net Assets</b>	<b>601,498</b>	<b>375,129</b>
<b>Total Liabilities and Total Net Assets</b>	<b>\$ 1,015,757</b>	<b>\$ 734,096</b>
Number of common shares outstanding	39,791,805	25,688,101
Net asset value per common share	\$ 15.12	\$ 14.60

See Notes to Consolidated Financial Statements.



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

	Three months ended June 30,		Nine months ended June 30,		
	2013	2012	2013	2012	
Investment income					
Interest income	\$21,187	\$14,811	\$59,130	\$41,263	
Dividend income	1,081	-	1,827	377	
Total investment income	22,268	14,811	60,957	41,640	
Expenses					
Interest and other debt financing expenses	2,967	2,865	9,254	7,811	
Base management fee	3,114	2,220	8,268	6,187	
Incentive fee	2,785	1,917	7,647	4,261	
Professional fees	534	538	1,540	1,685	
Administrative service fee	715	489	1,873	1,207	
General and administrative expenses	153	104	404	405	
Total expenses	10,268	8,133	28,986	21,556	
Net investment income	12,000	6,678	31,971	20,084	
Net gain on investments					
Net realized (loss) gain on investments	(77	) (70	) 18	(5,002	)
Net realized gain on derivative instruments	-	1,228	-	2,216	
Net change in unrealized appreciation (depreciation) on investments	734	(795	) 2,238	3,580	
Net change in unrealized (depreciation) appreciation on derivative instruments	-	(1,648	) -	2,136	
Net gain (loss) on investments	657	(1,285	) 2,256	2,930	
Net increase in net assets resulting from operations	\$12,657	\$5,393	\$34,227	\$23,014	
Per Common Share Data					
Basic and diluted earnings per common share	\$0.34	\$0.21	\$1.05	\$0.97	
Dividends and distributions declared per common share	\$0.32	\$0.32	\$0.96	\$0.96	
Basic and diluted weighted average common shares outstanding	37,118,379	25,639,680	32,511,415	23,803,762	

See Notes to Consolidated Financial Statements.



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

	Common Stock	Paid in Capital		Capital Distributions	Net Unrealized Appreciation (Depreciation) on Investments and Derivative Instruments	Net Realized Gain (Loss) on Investments and Derivative Instruments	Total Net Assets
	Shares	Par Amount	in Excess of Par	in Excess of Net Investment Income			
Balance at September 30, 2011	21,733,903	\$ 22	\$ 318,302	\$ (398 )	\$ (1,519 )	\$ 142	\$ 316,549
Issuance of common stock, net of offering and underwriting costs <sup>(1)</sup>	3,825,000	4	56,463	-	-	-	56,467
Net increase (decrease) in net assets resulting from operations	-	-	-	20,084	5,716	(2,786 )	23,014
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	104,106	-	1,527	-	-	-	1,527
Dividends and distributions	-	-	-	(23,346 )	-	-	(23,346 )
Balance at June 30, 2012	25,663,009	\$ 26	\$ 376,292	\$ (3,660 )	\$ 4,197	\$ (2,644 )	\$ 374,211
Balance at September 30, 2012	25,688,101	\$ 26	\$ 375,563	\$ 347	\$ 5,737	\$ (6,544 )	\$ 375,129
Issuance of common stock, net of offering and underwriting costs <sup>(2)</sup>	14,016,382	14	223,404	-	-	-	223,418
Net increase in net assets resulting from	-	-	-	31,971	2,238	18	34,227

operations								
Distributions to stockholders:								
Stock issued in connection with dividend reinvestment plan	87,322	-	1,385	-	-	-	-	1,385
Dividends and distributions	-	-	-	(32,661	)	-	-	(32,661 )
Balance at June 30, 2013	39,791,805	\$ 40	\$ 600,352	\$ (343	)	\$ 7,975	\$ (6,526	) \$ 601,498

(1) On January 31, 2012, Golub Capital BDC, Inc. priced a public offering of 3,500,000 shares of its common stock at a public offering price of \$15.35 per share. On March 1, 2012, Golub Capital BDC, Inc. sold an additional 325,000 shares of its common stock at a public offering price of \$15.35 per share pursuant to the underwriters' partial exercise of the over-allotment option.

(2) On October 16, 2012, Golub Capital BDC, Inc. priced a public offering of 2,600,000 shares of its common stock at a public offering price of \$15.58 per share. On November 14, 2012, Golub Capital BDC, Inc. sold an additional 294,120 shares of its common stock at a public offering price of \$15.58 per share pursuant to the underwriters' partial exercise of the over-allotment option. On January 15, 2013, Golub Capital BDC, Inc. priced a public offering of 4,500,000 shares of its common stock at a public offering price of \$15.87 per share. On February 20, 2013, Golub Capital BDC, Inc. sold an additional 622,262 shares of its common stock at a public offering price of \$15.87 per share pursuant to the underwriters' partial exercise of the over-allotment option. On May 7, 2013, Golub Capital BDC, Inc. priced a public offering of 6,000,000 shares of its common stock at a public offering price of \$17.47 per share.

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended June 30,	
	2013	2012
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 34,227	\$ 23,014
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities		
Amortization of deferred financing costs	1,444	1,072
Accretion of discounts and amortization of premiums	(6,104 )	(3,447 )
Net realized (gain) loss on investments	(18 )	5,002
Net realized gain on derivative instruments	-	(2,216 )
Net change in unrealized appreciation on investments	(2,238 )	(3,580 )
Net change in unrealized appreciation on derivative instruments	-	(2,136 )
Fundings of revolving loans, net	(8,155 )	(1,687 )
Fundings of investments	(554,022 )	(292,943 )
Proceeds from principal payments and sales of portfolio investments	276,506	120,602
Proceeds from derivative instruments	-	2,216
Payment-in-kind ("PIK") interest	(851 )	(751 )
Changes in operating assets and liabilities:		
Interest receivable	(1,614 )	(830 )
Cash collateral on deposit with custodian	-	19,875
Other assets	7	131
Interest payable	1,035	1,203
Management and incentive fees payable	1,605	2,462
Accounts payable and accrued expenses	1,152	420
Net cash used in operating activities	(257,026 )	(131,593 )
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	15,347	(21,643 )
Net cash provided by (used in) investing activities	15,347	(21,643 )
Cash flows from financing activities		
Borrowings on debt	304,350	154,817
Repayments of debt	(252,850 )	(62,700 )
Capitalized debt financing costs	(2,918 )	(1,810 )
Proceeds from shares sold, net of underwriting costs	224,065	57,164
Offering costs paid	(647 )	(696 )
Dividends and distributions paid	(31,276 )	(21,819 )
Net cash provided by financing activities	240,724	124,956
Net change in cash and cash equivalents	(955 )	(28,280 )

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Cash and cash equivalents, beginning of period	13,891	46,350
Cash and cash equivalents, end of period	\$ 12,936	\$ 18,070
Supplemental information:		
Cash paid during the period for interest	\$ 6,775	\$ 5,537
Dividends and distributions declared during the period	\$ 32,661	\$ 23,346

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited)****June 30, 2013***(In thousands)*

Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal		Percentage of Net Assets	F V
				Amount	Cost		
<b>Investments</b>							
<b>Canada</b>							
<b>Debt</b>							
<b>investments</b>							
<b>Leisure, Amusement, Motion Pictures, Entertainment</b>							
Extreme Fitness, Inc. <sup>(3)</sup>	Subordinated Debt	N/A	12.00% cash/2.50% PIK	11/2015	\$2,932	\$2,810	- % \$
<b>Total Canada</b>					\$2,932	\$2,810	- % \$
<b>Fair Value as percentage of Principal Amount</b>							
<b>United States</b>							
<b>Debt</b>							
<b>investments</b>							
<b>Aerospace and Defense</b>							
ILC Dover, LP	Senior Loan	L + 6.00 %	7.25	% 07/2017	\$608	\$604	0.1 % \$
ILC Dover, LP	Senior Loan	P + 6.00 %	8.25	% 07/2017	34	27	-
ILC Dover, LP	Senior Loan	L + 6.00 %	7.25	% 07/2017	4,366	4,295	0.7
Tresys Technology Holdings, Inc. <sup>(4)</sup>	One Stop	L + 6.75 %	N/A	(5) 12/2017	-	(9 )	-
Tresys Technology Holdings, Inc.	One Stop	L + 6.75 %	8.00	% 12/2017	4,000	3,910	0.7

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

TurboCombustor Technology Inc.*	Senior Loan	L + 4.75 %	5.75	%	12/2017	383	383	0.1
TurboCombustor Technology Inc.*	Senior Loan	L + 5.00 %	6.00	%	12/2017	898	895	0.1
Whitcraft LLC	Subordinated Debt	N/A	12.00	%	12/2018	1,877	1,851	0.3
White Oak Technologies, Inc.	Senior Loan	L + 5.00 %	6.25	%	03/2017	53	45	-
White Oak Technologies, Inc.*	Senior Loan	L + 5.00 %	6.25	%	03/2017	1,857	1,826	0.3
						14,076	13,827	2.3
<b>Automobile</b>								
ABRA, Inc. <sup>(4)</sup>	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(63 )	-
ABRA, Inc.	One Stop	P + 5.75 %	7.75	%	05/2018	1,962	1,941	0.3
ABRA, Inc.*	One Stop	L + 5.75 %	7.00	%	05/2018	26,438	26,245	4.4
American Driveline Systems, Inc.	Senior Loan	P + 7.50 %	9.75	%	01/2016	391	386	0.1
American Driveline Systems, Inc.*	Senior Loan	P + 7.50 %	9.75	%	01/2016	2,840	2,803	0.4
Express Oil Change, LLC	Senior Loan	P + 4.75 %	6.75	%	12/2017	119	115	-
Express Oil Change, LLC	Senior Loan	L + 4.75 %	6.00	%	12/2017	181	178	-
Express Oil Change, LLC*	Senior Loan	P + 4.75 %	6.75	%	12/2017	1,865	1,849	0.3
K&N Engineering, Inc. <sup>(4)</sup>	Senior Loan	P + 4.50 %	N/A	(5)	04/2018	-	(8 )	-
K&N Engineering, Inc.*	Senior Loan	L + 4.50 %	5.75	%	04/2018	7,297	7,191	1.2
						41,093	40,637	6.7
<b>Banking</b>								
Prommis Fin Co.* <sup>(3)</sup>	Senior Loan	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	212	191	-
Prommis Fin Co.	Senior Loan	P + 11.00 %	13.25	%	06/2015	126	125	-
Prommis Fin Co.* <sup>(3)</sup>	Second Lien	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	425	382	-
Prommis Fin Co.* <sup>(3)</sup>	Subordinated Debt	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	213	191	-
						976	889	-
<b>Beverage, Food and Tobacco</b>								
ABP Corporation	Senior Loan	P + 3.50 %	7.25	%	06/2016	63	58	-
	Senior Loan	L + 4.75 %	6.00	%	06/2016	4,501	4,450	0.7

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

ABP Corporation*									
American Importing Company, Inc.	One Stop	L + 5.75 %	7.00	%	05/2018	14,843	14,651	2.4	
Ameriqua Group, LLC*	Senior Loan	L + 5.00 %	6.50	%	03/2016	1,727	1,708	0.3	
Ameriqua Group, LLC	Senior Loan	L + 7.50 %	9.00	%	03/2016	833	824	0.1	
Atkins Nutritionals, Inc.*	One Stop	L + 5.00 %	6.25	%	01/2019	22,395	22,141	3.7	
Atkins Nutritionals, Inc.	One Stop	L + 8.50 %	9.75	%	04/2019	17,270	16,810	2.9	
Candy Intermediate Holdings, Inc.	Senior Loan	L + 6.25 %	7.50	%	06/2018	4,950	4,806	0.8	
Firebirds International, LLC <sup>(4)</sup>	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(7 )	-	
Firebirds International, LLC <sup>(4)</sup>	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(2 )	-	
Firebirds International, LLC*	One Stop	L + 5.75 %	7.00	%	05/2018	912	900	0.1	
First Watch Restaurants, Inc.	One Stop	L + 7.50 %	8.75	%	12/2016	420	396	0.1	
First Watch Restaurants, Inc.	One Stop	L + 7.50 %	8.75	%	12/2016	618	594	0.1	
First Watch Restaurants, Inc.*	One Stop	P + 7.50 %	9.75	%	12/2016	11,443	11,284	1.9	
IT'SUGAR LLC	Subordinated Debt	N/A	8.00	%	10/2017	1,707	1,707	0.4	
IT'SUGAR LLC	Senior Loan	L + 8.50 %	10.00	%	04/2017	4,223	4,159	0.7	
Julio & Sons Company <sup>(4)</sup>	One Stop	L + 5.50 %	N/A	(5)	09/2014	-	(9 )	-	
Julio & Sons Company*	One Stop	L + 5.50 %	7.00	%	09/2016	7,067	7,022	1.2	
Julio & Sons Company <sup>(4)</sup>	One Stop	L + 5.50 %	N/A	(5)	09/2016	-	(10 )	-	
Northern Brewer, LLC	One Stop	P + 6.50 %	8.50	%	02/2018	332	320	0.1	
Northern Brewer, LLC	One Stop	L + 6.50 %	8.00	%	02/2018	6,494	6,343	1.1	
Richelieu Foods, Inc.	Senior Loan	P + 5.00 %	7.25	%	11/2015	108	100	-	
Richelieu Foods, Inc.*	Senior Loan	L + 5.00 %	6.75	%	11/2015	1,988	1,962	0.3	
Smashburger Finance LLC <sup>(4)</sup>	Senior Loan	L + 4.25 %	N/A	(5)	05/2018	-	(6 )	-	

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Smashburger Finance LLC*	Senior Loan	L + 4.25 % 5.50	% 05/2018	3,274	3,250	0.5
				105,168	103,451	17.4

See Notes to Consolidated Financial Statements.

7



**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment	Spread Above	Interest	Maturity	Principal		Percentage of Total	Fair
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount	Cost	Net Assets	Value
<b>Building and Real Estate</b>								
ASP PDM Acquisition Co. LLC <sup>(3)</sup>	Senior Loan	P + 7.25	% 10.50	% 12/2013	451	443	-	180
Global Claims Services, Inc. <sup>(4)</sup>	Senior Loan	L + 4.75	% N/A	<sup>(5)</sup> 06/2018	-	(1 )	-	-
Global Claims Services, Inc.*	Senior Loan	L + 4.75	% 6.00	% 06/2018	803	793	0.1	803
KHKI Acquisition, Inc.	Senior Loan	P + 5.00	% 8.50	% 03/2017	2,573	2,573	0.2	1,4
Tecta America Corp.	Senior Loan	P + 5.75	% 9.00	% 06/2013	141	141	-	141
Tecta America Corp.	Senior Loan	P + 5.75	% 9.00	% 03/2014	3,779	3,779	0.4	2,2
					7,747	7,728	0.7	4,8
<b>Cargo Transport</b>								
RP Crown Parent*	Senior Loan	L + 5.50	% 6.75	% 12/2018	1,990	1,953	0.3	2,0
RP Crown Parent	Second Lien	L + 10.00	% 11.25	% 12/2019	7,500	7,360	1.3	7,7
					9,490	9,313	1.6	9,7
<b>Chemicals, Plastics and Rubber</b>								
Integrated DNA Technologies, Inc	Subordinated Debt	N/A	12.00% cash/2.00% PIK	04/2015	2,167	2,131	0.4	2,1
Road Infrastructure Investment, LLC	Senior Loan	L + 5.00	% 5.28	% 03/2017	316	282	0.1	313
	Senior Loan	L + 5.00	% 6.25	% 03/2018	4,515	4,467	0.8	4,5

Road Infrastructure Investment, LLC*							6,998	6,880	1.3	7,000
<b>Containers, Packaging and Glass</b>										
Fort Dearborn Company*	Senior Loan	L + 4.25 %	5.25	%	10/2017	48	48	-	48	
Fort Dearborn Company*	Senior Loan	L + 4.75 %	5.75	%	10/2018	191	189	-	191	
Fort Dearborn Company*	Senior Loan	L + 4.25 %	5.25	%	10/2017	570	566	0.1	570	
Fort Dearborn Company*	Senior Loan	L + 4.75 %	5.75	%	10/2018	2,208	2,192	0.4	2,208	
John Henry Holdings Inc.	Second Lien	L + 9.00 %	10.25	%	05/2019	1,175	1,148	0.2	1,175	
Packaging Coordinators, Inc.*	Senior Loan	L + 4.25 %	5.50	%	05/2020	6,810	6,776	1.1	6,776	
Packaging Coordinators, Inc.	Second Lien	L + 8.25 %	9.50	%	11/2020	29,098	28,520	4.8	28,520	
						40,100	39,439	6.6	39,439	
<b>Diversified Conglomerate Manufacturing</b>										
Chase Industries, Inc.*	One Stop	L + 6.19 %	6.75	%	11/2017	11,572	11,387	1.9	11,387	
Metal Spinners, Inc.*	Senior Loan	L + 6.50 %	8.00	%	12/2014	1,367	1,343	0.2	1,367	
Metal Spinners, Inc.*	Senior Loan	L + 6.50 %	8.00	%	12/2014	2,721	2,678	0.5	2,721	
Onicon Incorporated <sup>(4)</sup>	One Stop	L + 6.75 %	N/A	(5)	12/2017	-	(14 )	-	-	
Onicon Incorporated	One Stop	L + 6.75 %	8.25	%	12/2017	3,652	3,586	0.6	3,652	
Pasternack Enterprises, Inc.*	Senior Loan	L + 5.00 %	6.25	%	12/2017	1,231	1,221	0.2	1,231	
Plex Systems, Inc. <sup>(4)</sup>	Senior Loan	L + 7.50 %	N/A	(5)	06/2018	-	(26 )	-	(26 )	
Plex Systems, Inc.*	Senior Loan	P + 6.25 %	9.50	%	06/2018	13,670	13,375	2.2	13,670	
Sunless Merger Sub, Inc.	Senior Loan	P + 4.00 %	7.25	%	07/2016	68	67	-	47	
Sunless Merger Sub, Inc.*	Senior Loan	L + 5.25 %	6.50	%	07/2016	2,201	2,194	0.3	2,000	
Tecomet Inc. <sup>(4)</sup>	Senior Loan	L + 4.50 %	N/A	(5)	12/2016	-	(5 )	-	-	
Tecomet Inc.*	Senior Loan	L + 4.50 %	5.75	%	12/2016	5,667	5,597	0.9	5,667	

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

TIDI Products, LLC <sup>(4)</sup>	Senior Loan	L + 7.00 %	N/A	(5)	07/2017	-	(11 )	-	-
TIDI Products, LLC*	Senior Loan	L + 7.00 %	8.25	%	07/2018	8,726	8,565	1.5	8,726
Vintage Parts, Inc.*	One Stop	L + 5.50 %	5.78	%	12/2013	5,069	5,063	0.8	5,069
Vintage Parts, Inc.*	One Stop	L + 6.00 %	8.50	%	12/2013	70	70	-	70
Vintage Parts, Inc.*	One Stop	L + 8.00 %	9.75	%	12/2013	1,059	1,053	0.2	1,059
						57,073	56,143	9.3	56,143
<b>Diversified Conglomerate Service</b>									
Aderant North America, Inc.*	Senior Loan	L + 5.00 %	6.25	%	12/2018	4,518	4,477	0.8	4,518
Agility Recovery Solutions Inc. <sup>(4)</sup>	One Stop	L + 6.75 %	N/A	(5)	12/2017	-	(6 )	-	-
Agility Recovery Solutions Inc.*	One Stop	L + 6.75 %	8.00	%	12/2017	5,998	5,869	1.0	5,998
API Healthcare Corporation*	One Stop	L + 8.60 %	9.85	%	04/2018	34,587	34,296	5.7	34,587
Consona Holdings, Inc. <sup>(4)</sup>	Senior Loan	L + 5.50 %	N/A	(5)	08/2017	-	(3 )	-	-
Consona Holdings, Inc.*	Senior Loan	L + 5.50 %	6.75	%	08/2018	1,051	1,020	0.2	1,051
Consona Holdings, Inc.*	Senior Loan	L + 6.00 %	7.25	%	08/2018	1,555	1,542	0.3	1,555
Document Technologies, LLC <sup>(4)</sup>	Senior Loan	L + 4.25 %	N/A	(5)	12/2018	-	(14 )	-	-
Document Technologies, LLC*	Senior Loan	L + 4.25 %	5.50	%	12/2018	6,758	6,688	1.1	6,758
EAG, Inc.*	Senior Loan	P + 3.50 %	6.75	%	07/2017	2,527	2,497	0.4	2,527
HighJump Acquisition LLC	One Stop	L + 8.50 %	9.75	%	07/2016	5,340	5,290	0.9	5,340
Marathon Data Operating Co., LLC <sup>(4)</sup>	One Stop	L + 6.25 %	N/A	(5)	08/2017	-	(9 )	-	-
Marathon Data Operating Co., LLC	One Stop	L + 6.25 %	7.50	%	08/2017	4,784	4,684	0.8	4,784
MSC Software Corporation*	One Stop	L + 6.50 %	7.75	%	11/2017	10,158	9,986	1.7	10,158
Navex Global, Inc. <sup>(4)</sup>	One Stop	L + 7.50 %	N/A	(5)	12/2016	-	(18 )	-	-
Navex Global, Inc.*	One Stop	L + 7.50 %	9.00	%	12/2016	17,873	17,551	3.0	17,873

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

NetSmart Technologies, Inc.	Senior Loan	L + 7.53 %	7.53	%	12/2017	662	650	0.1	662
NetSmart Technologies, Inc.*	Senior Loan	L + 7.82 %	7.82	%	12/2017	8,484	8,403	1.4	8,484
PC Helps Support, LLC <sup>(4)</sup>	Senior Loan	L + 5.25 %	N/A	(5)	09/2017	-	(2 )	-	-
PC Helps Support, LLC	Senior Loan	L + 5.25 %	6.50	%	09/2017	2,020	1,995	0.3	2,020
Secure-24, LLC <sup>(4)</sup>	One Stop	L + 7.00 %	N/A	(5)	08/2017	-	(7 )	-	-
Secure-24, LLC*	One Stop	L + 7.00 %	8.25	%	08/2017	10,592	10,326	1.8	10,592
Secure-24, LLC	One Stop	L + 7.00 %	8.25	%	03/2015	552	527	0.1	552
Source Medical Solutions, Inc.	Second Lien	L + 9.50 %	10.75	%	03/2018	9,294	9,093	1.5	9,294
Vericclaim, Inc. <sup>(4)</sup>	Senior Loan	L + 4.75 %	N/A	(5)	05/2018	-	(4 )	-	(4 )
Vericclaim, Inc.	Senior Loan	L + 4.75 %	6.00	%	05/2018	5,837	5,808	1.0	5,837
						132,590	130,639	22.1	132,590

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount	Cost	Percentage of Total Net Assets	Fair Value
<b>Electronics</b>								
Ecommerce Industries, Inc. <sup>(4)</sup>	One Stop	L + 6.75 %	N/A	(5) 10/2016	-	(22 )	-	-
Ecommerce Industries, Inc.*	One Stop	L + 8.36 %	8.36	% 10/2016	12,692	12,538	2.1	12,692
Entrust, Inc./Entrust Limited*	Second Lien	L + 9.50 %	10.75	% 04/2019	5,204	5,157	0.9	5,204
Entrust, Inc./Entrust Limited*	Second Lien	L + 9.50 %	10.75	% 04/2019	11,523	11,419	1.9	11,523
Rogue Wave Holdings, Inc.*	One Stop	L + 9.45 %	9.45	% 11/2017	6,149	6,081	1.0	6,149
Sparta Systems, Inc. <sup>(4)</sup>	Senior Loan	L + 5.25 %	N/A	(5) 12/2017	-	(7 )	-	-
Sparta Systems, Inc.	Senior Loan	L + 5.25 %	6.50	% 12/2017	6,804	6,727	1.1	6,804
Syncsort Incorporated <sup>(4)</sup>	Senior Loan	L + 5.50 %	N/A	(5) 03/2015	-	(3 )	-	-
Syncsort Incorporated*	Senior Loan	P + 4.25 %	7.50	% 03/2015	6,023	5,944	1.0	6,023
Time-O-Matic, Inc.	Subordinated Debt	N/A	12.00% cash/1.25% PIK	12/2016	11,671	11,527	1.9	11,671
					60,066	59,361	9.9	60,066
<b>Farming and Agriculture</b>								
AGData, L.P.	One Stop	L + 5.75 %	7.25	% 08/2016	2,618	2,595	0.4	2,618
<b>Finance</b>								
Ascensus, Inc.*	Senior Loan	L + 6.75 %	8.00	% 12/2018	18,003	17,673	3.0	18,003
	Senior Loan	L + 5.00 %	6.50	% 09/2016	895	889	0.1	895

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Bonddesk Group LLC* Pillar Processing LLC*	Senior Loan	L + 5.50 %	5.78	%	11/2018	1,633	1,630	0.2	1,470
Pillar Processing LLC*(3)	Senior Loan	N/A	14.50	%	05/2019	3,125	2,599	0.1	625
						23,656	22,791	3.4	20,993
<b>Grocery</b>									
MyWebGrocer, Inc.(4)	Senior Loan	L + 8.75 %	N/A	(5)	05/2018	-	(16 )	-	(16
MyWebGrocer, Inc.	Senior Loan	L + 8.75 %	6.00% cash/4.00% PIK		05/2018	14,271	14,021	2.3	14,129
						14,271	14,005	2.3	14,113
<b>Healthcare, Education and Childcare</b>									
Advanced Pain Management Holdings, Inc.(4)	Senior Loan	L + 5.00 %	N/A	(5)	02/2018	-	(7 )	-	(8
Advanced Pain Management Holdings, Inc.(4)	Senior Loan	L + 5.00 %	N/A	(5)	02/2018	-	(11 )	-	(12
Advanced Pain Management Holdings, Inc.*	Senior Loan	L + 5.00 %	6.25	%	02/2018	7,382	7,313	1.2	7,308
Avatar International, LLC	Senior Loan	L + 8.00 %	9.25	%	09/2016	1,662	1,648	0.3	1,662
Avatar International, LLC(4)	One Stop	L + 7.50 %	N/A	(5)	09/2016	-	(6 )	-	-
Avatar International, LLC*	One Stop	L + 7.50 %	8.75	%	09/2016	7,704	7,618	1.3	7,704
Campus Management Acquisition Corp.	Second Lien	L + 9.07 %	9.07	%	09/2015	4,973	4,928	0.7	4,376
DDC Center Inc.	One Stop	L + 6.25 %	N/A	(5)	10/2013	-	-	-	-
DDC Center Inc.*	One Stop	L + 6.25 %	9.25	%	10/2014	7,991	7,983	1.3	7,991
Delta Educational Systems*	Senior Loan	P + 4.75 %	8.00	%	12/2016	2,116	2,085	0.3	2,010
	Subordinated Debt	N/A	11.00% cash/2.00% PIK		09/2018	8,928	8,827	1.5	8,928

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Dialysis Newco, Inc. Encore Rehabilitation Services, LLC <sup>(4)</sup>	One Stop	L + 6.25 %	N/A	(5)	06/2017	-	(13 )	-	-
Encore Rehabilitation Services, LLC	One Stop	L + 6.25 %	7.50	%	06/2017	5,131	5,019	0.9	5,131
G & H Wire Company, Inc. <sup>(4)</sup>	Senior Loan	L + 5.50 %	N/A	(5)	11/2016	-	(10 )	-	-
G & H Wire Company, Inc.*	Senior Loan	L + 5.50 %	7.00	%	11/2016	8,670	8,556	1.4	8,670
Healogics, Inc.*	Second Lien	L + 8.00 %	9.25	%	02/2020	16,454	16,298	2.8	16,783
Hospitalists Management Group, LLC	Senior Loan	L + 4.75 %	6.25	%	05/2017	441	436	0.1	397
Hospitalists Management Group, LLC	Senior Loan	L + 4.75 %	6.25	%	05/2017	815	807	0.1	724
Hospitalists Management Group, LLC	Senior Loan	L + 4.75 %	6.25	%	05/2017	3,694	3,635	0.6	3,324
IntegraMed America, Inc. <sup>(4)</sup>	One Stop	L + 7.25 %	N/A	(5)	09/2017	-	(16 )	-	-
IntegraMed America, Inc.*	One Stop	L + 7.25 %	8.50	%	09/2017	14,494	14,216	2.4	14,494
Maverick Healthcare Group, LLC *	Senior Loan	L + 5.50 %	7.25	%	12/2016	2,040	2,020	0.3	2,040
NeuroTherm, Inc.	Senior Loan	L + 5.00 %	6.50	%	02/2016	160	156	-	160
NeuroTherm, Inc.*	Senior Loan	L + 5.00 %	6.50	%	02/2016	1,366	1,350	0.2	1,366
Northwestern Management Services, LLC <sup>(4)</sup>	Senior Loan	L + 5.50 %	N/A	(5)	10/2017	-	(5 )	-	-
Northwestern Management Services, LLC <sup>(4)</sup>	Senior Loan	L + 5.50 %	N/A	(5)	10/2017	-	(5 )	-	-
Northwestern Management Services, LLC*	Senior Loan	L + 5.50 %	6.75	%	10/2017	3,054	3,021	0.5	3,054
Pentec Acquisition Sub, Inc. <sup>(4)</sup>	Senior Loan	L + 5.25 %	N/A	(5)	05/2017	-	(3 )	-	(24

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Pentec Acquisition Sub, Inc.*	Senior Loan	L + 5.25 %	6.50	%	05/2018	1,921	1,890	0.3	1,690
PhysioTherapy Associates Holdings, Inc.*	Senior Loan	L + 4.75 %	8.00	%	04/2018	572	563	0.1	552
Reliant Pro ReHab, LLC	Senior Loan	L + 4.75 %	6.00	%	06/2016	966	959	0.2	966
Reliant Pro ReHab, LLC	Senior Loan	P + 3.75 %	7.00	%	06/2016	571	565	0.1	571
Reliant Pro ReHab, LLC*	Senior Loan	L + 4.75 %	6.00	%	06/2016	3,457	3,421	0.6	3,457
Renaissance Pharma (U.S.) Holdings Inc.	Senior Loan	P + 4.25 %	7.50	%	05/2018	85	81	-	85
Renaissance Pharma (U.S.) Holdings Inc.*	Senior Loan	L + 5.25 %	6.75	%	05/2018	4,608	4,547	0.8	4,608
Southern Anesthesia and Surgical <sup>(4)</sup>	One Stop	L + 7.00 %	N/A	(5)	11/2017	-	(14 )	-	-
Southern Anesthesia and Surgical	One Stop	L + 7.00 %	8.25	%	11/2017	6,280	6,144	1.0	6,280
Information Systems, LLC	Second Lien	L + 8.28 %	8.28	%	12/2015	3,730	3,693	0.6	3,730
WIL Research Company, Inc.*	Senior Loan	L + 4.50 %	5.75	%	02/2018	786	777	0.1	788
Young Innovations, Inc. <sup>(4)</sup>	Senior Loan	L + 4.50 %	N/A	(5)	01/2018	-	(3 )	-	-
Young Innovations, Inc.	Senior Loan	L + 4.50 %	5.75	%	01/2019	4,773	4,739	0.8	4,773
						124,824	123,202	20.5	123,57

See Notes to Consolidated Financial Statements.



## Golub Capital BDC, Inc. and Subsidiaries

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

June 30, 2013

(In thousands)

	Investment	Spread	Interest	Maturity	Principal		Percentage		
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount	Cost	of Total	Net	Fair
							Assets	Assets	Value
<b>Home and Office Furnishings, Housewares, and Durable Consumer</b>									
WII Components, Inc.	Senior Loan	P + 3.75	% 7.00	% 07/2016	20	19	-	-	20
WII Components, Inc.*	Senior Loan	L + 4.75	% 6.25	% 07/2016	1,662	1,647	0.3	-	1,662
Zenith Products Corporation*	One Stop	L + 5.75	% 5.75	% 09/2013	3,289	3,279	0.4	-	2,631
					4,971	4,945	0.7	-	4,313
<b>Insurance</b>									
AssuredPartners Capital, Inc. <sup>(4)</sup>	Senior Loan	L + 4.75	% N/A	(5) 06/2019	-	(27)	-	-	-
AssuredPartners Capital, Inc.*	Senior Loan	L + 4.50	% 5.75	% 06/2019	2,382	2,363	0.4	-	2,382
Captive Resources Midco, LLC <sup>(4)</sup>	Senior Loan	L + 5.50	% N/A	(5) 10/2017	-	(4)	-	-	-
Captive Resources Midco, LLC*	Senior Loan	L + 5.50	% 6.75	% 10/2018	3,561	3,529	0.6	-	3,561
Evolution1, Inc. <sup>(4)</sup>	Senior Loan	L + 4.75	% N/A	(5) 06/2016	-	(15)	-	-	-
Evolution1, Inc.	Senior Loan	P + 3.75	% 7.00	% 06/2016	89	86	-	-	89
Evolution1, Inc.*	Senior Loan	L + 4.75	% 6.25	% 06/2016	4,584	4,543	0.8	-	4,584
					10,616	10,475	1.8	-	10,616
<b>Leisure, Amusement, Motion Pictures and Entertainment</b>									
Competitor Group, Inc. <sup>(4)</sup>	One Stop	L + 7.75	% N/A	(5) 11/2018	-	(47)	-	-	-
Competitor Group, Inc.	One Stop	L + 7.75	% 9.00	% 11/2018	884	870	0.1	-	884
Competitor Group, Inc.*	One Stop	L + 7.75	% 9.00	% 11/2018	12,806	12,604	2.1	-	12,806
Octane Fitness, LLC*	One Stop	L + 5.50	% 7.00	% 12/2015	4675	4581	0.8	-	4675
Pride Manufacturing Company, LLC*	Senior Loan	L + 6.00	% 7.75	% 11/2015	635	629	0.1	-	635
Service Companies, The *	Senior Loan	L + 6.50	% 9.00	% 03/2014	6,420	6,392	1.1	-	6,420
	One Stop	L + 7.50	% 9.00	% 12/2017	1,185	1,159	0.2	-	1,185

Starplex Operating, L.L.C.										
Starplex Operating, L.L.C.*	One Stop	L + 7.50	%	9.00	%	12/2017	17,476	17,198	2.9	17,476
							44,081	43,386	7.3	44,081
<b>Mining, Steel, Iron and Non-Precious Metals</b>										
Benetech, Inc. <sup>(4)</sup>	One Stop	P + 4.75	%	8.00	%	10/2017	195	190	-	195
Benetech, Inc.*	One Stop	L + 6.00	%	7.25	%	10/2017	5,579	5,554	0.9	5,579
							5,774	5,744	0.9	5,774
<b>Oil and Gas</b>										
Drilling Info, Inc. <sup>(4)</sup>	One Stop	L + 5.50	%	N/A	(5)	06/2018	-	(1 )	-	(1 )
Drilling Info, Inc.	One Stop	P + 4.25	%	7.50	%	06/2018	1,377	1,363	0.2	1,363
Drilling Info, Inc. <sup>(4)</sup>	One Stop	L + 5.50	%	N/A	(5)	06/2018	-	(5 )	-	(5 )
							1,377	1,357	0.2	1,357
<b>Personal and Non-Durable Consumer Products</b>										
Hygenic Corporation, The <sup>(4)</sup>	Senior Loan	L + 4.50	%	N/A	(5)	10/2017	-	(4 )	-	-
Hygenic Corporation, The*	Senior Loan	L + 4.50	%	5.75	%	10/2018	3,328	3,284	0.6	3,328
Massage Envy, LLC <sup>(4)</sup>	One Stop	L + 7.25	%	N/A	(5)	09/2018	-	(16 )	-	-
Massage Envy, LLC	One Stop	L + 7.25	%	8.50	%	09/2018	16,741	16,378	2.8	16,741
Team Technologies Acquisition Company <sup>(4)</sup>	Senior Loan	L + 4.75	%	N/A	(5)	12/2017	-	(4 )	-	-
Team Technologies Acquisition Company	Senior Loan	L + 4.75	%	6.00	%	12/2017	3,528	3,497	0.6	3,528
							23,597	23,135	4.0	23,597
<b>Personal, Food and Miscellaneous Services</b>										
Affordable Care Inc. <sup>(4)</sup>	Senior Loan	L + 4.75	%	N/A	(5)	12/2017	-	(2)	-	-
Affordable Care Inc.	Senior Loan	L + 4.75	%	6.00	%	12/2018	3,550	3,518	0.6	3,550
Automatic Bar Controls, Inc.	Senior Loan	P + 4.50	%	7.75	%	03/2016	22	21	-	22
Automatic Bar Controls, Inc.*	Senior Loan	L + 5.75	%	7.25	%	03/2016	917	909	0.2	917
Brasa (Holdings) Inc.*	Senior Loan	L + 6.25	%	7.50	%	07/2019	5,088	4,955	0.8	5,088
Focus Brands Inc.	Second Lien	L + 9.00	%	10.25	%	08/2018	11,195	11,070	1.9	11,390
National Veterinary Associates, Inc.	Senior Loan	L + 5.00	%	6.25	%	12/2017	621	608	0.1	621
National Veterinary Associates, Inc. <sup>(4)</sup>	Senior Loan	L + 5.00	%	N/A	(5)	12/2017	-	(1 )	-	-
National Veterinary Associates, Inc.	Senior Loan	L + 5.00	%	6.25	%	12/2017	6,037	5,990	1.0	6,037
PMI Holdings, Inc.	Senior Loan	L + 4.75	%	5.75	%	06/2017	72	69	-	72
PMI Holdings, Inc.	Senior Loan	L + 4.75	%	5.75	%	06/2017	2,642	2,621	0.4	2,642
Vetcor Merger Sub LLC <sup>(4)</sup>	Senior Loan	L + 6.50	%	N/A	(5)	12/2017	-	(23 )	-	-
Vetcor Merger Sub LLC	Senior Loan	L + 6.50	%	7.75	%	12/2017	286	279	-	286
Vetcor Merger Sub LLC*	Senior Loan	L + 6.50	%	7.75	%	12/2017	5,960	5,900	1.0	5,960

36,390	35,914	6.0	36,585
--------	--------	-----	--------

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment	Spread Above	Interest	Maturity	Principal		Percentage	Fair
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount	Cost	of Total Net Assets	Value
<b>Personal</b>								
<b>Transportation</b>								
PODS Funding Corp. II	Subordinated Debt	N/A	21.00	% 11/2017	702	702	0.1	702
PODS Funding Corp. II	Subordinated Debt	N/A	21.00	% 11/2017	3,400	3,400	0.6	3,400
PODS Funding Corp. II	Subordinated Debt	N/A	10.50% cash/5.00% PIK	05/2017	456	451	0.1	456
PODS Funding Corp. II	Subordinated Debt	N/A	10.50% cash/5.00% PIK	05/2017	2,139	2,097	0.4	2,139
PODS Funding Corp. II	Senior Loan	L + 6.00	% 7.25	% 11/2016	724	709	0.1	724
PODS Funding Corp. II*	Senior Loan	L + 6.00	% 7.25	% 11/2016	6,383	6,254	1.1	6,383
					13,804	13,613	2.4	13,804
<b>Printing and Publishing</b>								
Digital Technology International, LLC.	One Stop	P + 6.00	% 9.25	% 09/2016	928	922	0.2	928
Digital Technology International, LLC.	One Stop	L + 7.25	% 8.75	% 09/2016	6,235	6,153	1.0	6,235
Market Track, LLC <sup>(4)</sup>	Senior Loan	L + 6.11	% N/A	<sup>(5)</sup> 08/2018	-	(5 )	-	-
Market Track, LLC*	Senior Loan	L + 6.11	% 7.36	% 08/2018	3,122	3,082	0.5	3,122
Market Track, LLC <sup>(4)</sup>	Senior Loan	L + 7.65	% N/A	<sup>(5)</sup> 08/2018	-	(4 )	-	-
					10,285	10,148	1.7	10,285
<b>Retail Stores</b>								
	One Stop	L + 8.25	% N/A	<sup>(5)</sup> 03/2017	-	(4 )	-	-

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Barcelona Restaurants, LLC <sup>(4)(6)</sup>									
Barcelona Restaurants, LLC* <sup>(6)</sup>									
Barcelona Restaurants, LLC* <sup>(6)</sup>	One Stop	L + 8.25	% 9.50	% 03/2017	5,720	5,632	1.0	5,720	
Benihana, Inc. <sup>(4)</sup>	One Stop	L + 8.00	% N/A	<sup>(5)</sup> 08/2017	-	(30 )	-	-	
Benihana, Inc.*	One Stop	L + 8.00	% 9.25	% 02/2018	13,389	13,090	2.2	13,389	
Boot Barn, Inc.*	One Stop	L + 5.75	% 7.00	% 05/2019	24,738	24,372	4.1	24,491	
Capital Vision Services, LLC <sup>(4)</sup>	One Stop	L + 7.25	% N/A	<sup>(5)</sup> 12/2017	-	(17 )	-	-	
Capital Vision Services, LLC	One Stop	P + 6.25	% 9.50	% 12/2017	95	82	-	95	
Capital Vision Services, LLC*	One Stop	L + 7.25	% 8.50	% 12/2017	13,392	13,214	2.2	13,392	
DTLR, Inc.*	One Stop	L + 8.00	% 11.00	% 12/2015	16,973	16,824	2.8	16,973	
Floor & Decor Outlets of America, Inc.*	One Stop	L + 6.50	% 7.75	% 05/2019	11,386	11,247	1.9	11,244	
Marshall Retail Group, LLC, The <sup>(4)</sup>	Senior Loan	L + 6.50	% N/A	<sup>(5)</sup> 10/2016	-	(12 )	-	-	
Marshall Retail Group, LLC, The*	Senior Loan	L + 6.50	% 8.00	% 10/2016	9,754	9,617	1.6	9,754	
Paper Source, Inc. <sup>(4)</sup>	One Stop	L + 6.25	% N/A	<sup>(5)</sup> 04/2018	-	(11 )	-	(10 )	
Paper Source, Inc.*	One Stop	L + 6.25	% 7.50	% 04/2018	12,119	12,017	2.0	12,029	
Restaurant Holding Company, LLC	Senior Loan	L + 7.50	% 9.00	% 02/2017	9,313	9,177	1.6	9,452	
Rubio's Restaurants, Inc.*	One Stop	L + 7.25	8.75% % cash/0.25% PIK	06/2015	7,879	7,811	1.3	7,879	
Sneaker Villa, Inc. <sup>(4)</sup>	One Stop	L + 8.50	% N/A	<sup>(5)</sup> 12/2017	-	(8 )	-	-	
Sneaker Villa, Inc.	One Stop	P + 8.25	% 11.50	% 12/2017	1,002	986	0.2	1,002	
Sneaker Villa, Inc.	One Stop	L + 8.50	% 10.00	% 12/2017	4,578	4,475	0.8	4,578	
Specialty Catalog Corp. <sup>(4)</sup>	One Stop	L + 6.00	% N/A	<sup>(5)</sup> 07/2017	-	(7 )	-	-	
Specialty Catalog Corp.	One Stop	L + 6.00	% 7.50	% 07/2017	5,239	5,182	0.9	5,239	
Vision Source L.P. <sup>(4)</sup>	One Stop	L + 6.75	% N/A	<sup>(5)</sup> 04/2016	-	(7 )	-	-	
Vision Source L.P.*	One Stop	L + 6.75	% 8.00	% 04/2016	12,298	12,156	2.0	12,298	
					147,875	145,786	24.6	147,525	
<b>Telecommunications</b>									
Hosting.com Inc. <sup>(4)</sup>	Senior Loan	L + 4.50	% N/A	<sup>(5)</sup> 10/2016	-	(1 )	-	-	
Hosting.com Inc.*	Senior Loan	L + 4.50	% 5.75	% 10/2016	817	809	0.1	817	
NameMedia, Inc.	Senior Loan	L + 6.00	% N/A	<sup>(5)</sup> 11/2014	-	-	-	-	
NameMedia, Inc.	Senior Loan	L + 6.00	% 7.50	% 11/2014	1,290	1,279	0.2	1,290	
					2,107	2,087	0.3	2,107	
<b>Utilities</b>									
PowerPlan Consultants, Inc. <sup>(4)</sup>	Senior Loan	L + 5.25	% N/A	<sup>(5)</sup> 03/2017	-	(1 )	-	-	
PowerPlan Consultants, Inc.*	Senior Loan	L + 5.25	% 6.75	% 03/2018	4,291	4,240	0.7	4,291	
					4,291	4,239	0.7	4,291	

<b>Total debt investments United States</b>	\$945,914	\$931,729	155.7%	\$936,557
<b>Fair Value as a percentage of Principal Amount</b>			99.0	%

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount/Shares/ Contracts	Cost	Percentage of Total Net Assets	Fair Value
<b>Equity investments</b>								
<b>Aerospace and Defense</b>								
Tresys Technology Holdings, Inc.	Common stock	N/A	N/A	N/A	295	\$295	- %	\$231
Whitcraft LLC	Common stock	N/A	N/A	N/A	1	670	0.1	677
Whitcraft LLC	Warrant	N/A	N/A	N/A	-	-	-	132
						965	0.1	1,040
<b>Automobile</b>								
ABRA, Inc	LLC interest	N/A	N/A	N/A	208	1,471	0.4	2,324
Express Oil Change, LLC	LLC interest	N/A	N/A	N/A	77	81	-	81
K&N Engineering, Inc.	Common stock	N/A	N/A	N/A	-	4	-	16
K&N Engineering, Inc.	Preferred stock A	N/A	N/A	N/A	-	26	-	40
K&N Engineering, Inc.	Preferred stock B	N/A	N/A	N/A	-	-	-	2
						1,582	0.4	2,463
<b>Banking</b>								
Prommis Solutions Inc.*	Preferred LLC interest	N/A	N/A	N/A	1	472	-	-
						472	-	-
<b>Beverage, Food and Tobacco</b>								
Atkins Nutritionals, Inc.	LLC interest	N/A	N/A	N/A	57	746	0.1	757
First Watch Restaurants, Inc.	Common stock	N/A	N/A	N/A	7	691	0.1	746
Goode Seed Co-Invest, LLC	LLC units	N/A	N/A	N/A	356	356	0.1	356
Julio & Sons Company	LLC interest	N/A	N/A	N/A	521	521	0.1	619
Northern Brewer, LLC	LLC interest	N/A	N/A	N/A	142	315	0.1	315
Richelieu Foods, Inc.	LP interest	N/A	N/A	N/A	220	220	-	193
						2,849	0.5	2,986

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Containers, Packaging and Glass									
Packaging Coordinators, Inc.	LLC interest	N/A	N/A	N/A	48	2,476	0.4	2,476	
						2,476	0.4	2,476	
Diversified Conglomerate Manufacturing									
Oasis Outsourcing Holdings, Inc.	LLC interest	N/A	N/A	N/A	1,088	1,088	0.3	2,085	
Sunless Merger Sub, Inc.	Preferred stock	N/A	N/A	N/A	-	148	-	46	
TIDI Products, LLC	LLC interest	N/A	N/A	N/A	315	315	0.1	368	
						1,551	0.4	2,499	
Diversified Conglomerate Service									
Document Technologies, LLC	LLC interest	N/A	N/A	N/A	24	490	0.1	590	
Marathon Data Operating Co., LLC	Common stock	N/A	N/A	N/A	1	264	-	264	
Marathon Data Operating Co., LLC	Preferred stock	N/A	N/A	N/A	1	264	-	264	
Navex Global, Inc.	LP interest	N/A	N/A	N/A	-	666	0.1	693	
PC Helps Support, LLC	Common stock	N/A	N/A	N/A	1	7	-	7	
PC Helps Support, LLC	Preferred stock	N/A	N/A	N/A	-	61	-	61	
Secure-24, LLC	LLC Units	N/A	N/A	N/A	253	253	-	253	
						2,005	0.2	2,132	
Grocery									
MyWebGrocer, Inc.	LLC units	N/A	N/A	N/A	1,269	1,269	0.2	1,269	
Healthcare, Education and Childcare									
Advanced Pain Management Holdings, Inc.	Common stock	N/A	N/A	N/A	67	67	0.1	579	
Advanced Pain Management Holdings, Inc.	Preferred stock	N/A	N/A	N/A	13	829	0.1	849	
Avatar International, LLC	LP interest	N/A	N/A	N/A	1	695	0.1	643	
Dialysis Newco, Inc.	LLC interest	N/A	N/A	N/A	871	871	0.2	1,246	
Encore Rehabilitation Services, LLC	LLC interest	N/A	N/A	N/A	270	270	0.1	329	
G & H Wire Company, Inc.	LP interest	N/A	N/A	N/A	-	102	-	102	
Hospitalists Management Group, LLC	Common stock	N/A	N/A	N/A	-	38	-	13	
IntegraMed America, Inc.	Common stock	N/A	N/A	N/A	1	514	0.1	607	
National Healing Corporation	Preferred stock	N/A	N/A	N/A	695	799	0.1	882	



Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

NeuroTherm, Inc.	Common stock	N/A	N/A	N/A	1	569	0.1	655
Northwestern Management Services, LLC	LLC units	N/A	N/A	N/A	3	3	-	8
Northwestern Management Services, LLC	LLC units	N/A	N/A	N/A	-	249	-	259
Pentec Acquisition Sub, Inc.	Preferred stock	N/A	N/A	N/A	1	116	-	23
Reliant Pro ReHab, LLC	Preferred stock	N/A	N/A	N/A	2	264	-	278
Southern Anesthesia and Surgical	LLC units	N/A	N/A	N/A	487	487	0.1	603
Surgical Information Systems, LLC	Common stock	N/A	N/A	N/A	4	414	0.1	418
Young Innovations, Inc.	Preferred stock	N/A	N/A	N/A	-	236	-	236
						6,523	1.1	7,730
Home and Office Furnishings, Housewares, and Durable Consumer								
Top Knobs USA, Inc.	Common stock	N/A	N/A	N/A	3	73	-	89
Insurance Captive Resources Midco, LLC	LLC units	N/A	N/A	N/A	1	121	-	121
Leisure, Amusement, Motion Pictures and Entertainment								
Competitor Group, Inc.	LLC interest	N/A	N/A	N/A	711	711	0.1	594
LMP TR Holdings, LLC	LLC units	N/A	N/A	N/A	712	712	0.1	712
						1,423	0.2	1,306

See Notes to Consolidated Financial Statements.

**Golub Capital BDC, Inc. and Subsidiaries****Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal Amount/Shares/Contracts	Cost	Percentage of Total Net Assets	Fair Value
<b>Personal and Non-Durable Consumer Products</b>								
Hygenic Corporation, The	LP interest	N/A	N/A	N/A	1	61	-	61
Massage Envy, LLC	LLC interest	N/A	N/A	N/A	749	749	0.1	749
Team Technologies Acquisition Company	Common stock	N/A	N/A	N/A	-	148	-	148
						958	0.1	958
<b>Personal Transportation</b>								
PODS Funding Corp. II	Warrant	N/A	N/A	N/A	271	-	-	111
<b>Printing and Publishing</b>								
Market Track, LLC	Preferred stock	N/A	N/A	N/A	-	145	-	160
Market Track, LLC	Common stock	N/A	N/A	N/A	1	145	-	155
						290	-	315
<b>Retail Stores</b>								
Barcelona Restaurants, LLC <sup>(6)</sup>	LP interest	N/A	N/A	N/A	1,996	1,996	0.4	2,198
Benihana, Inc.	LLC interest	N/A	N/A	N/A	43	699	0.1	723
Capital Vision Services, LLC	LLC interest	N/A	N/A	N/A	402	402	0.1	466
Rubio's Restaurants, Inc.	Preferred stock	N/A	N/A	N/A	199	945	0.2	1,035
Sneaker Villa, Inc.	LLC interest	N/A	N/A	N/A	4	411	0.1	462
Vision Source L.P.	Common stock	N/A	N/A	N/A	9	936	0.1	856
						5,389	1.0	5,740

Total equity investments United States	\$27,946	5.2	% \$31,235
Total United States	\$959,675	160.9	% \$967,792
Total investments	\$962,485	160.9	% \$967,792

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

The majority of the investments bear interest at a rate that may be determined by reference to London Interbank Offered Rate ("LIBOR" or "L") or Prime ("P") and which reset daily, quarterly or semiannually. For each, we have (1) provided the spread over LIBOR or Prime and the weighted average current interest rate in effect at June 30, 2013. Certain investments are subject to a LIBOR or Prime interest rate floor. For fixed rate loans, a spread above a reference rate is not applicable.

(2) For portfolio companies with multiple interest rate contracts, the interest rate shown is a weighted average current interest rate in effect at June 30, 2013.

(3) Loan was on non-accrual status as of June 30, 2013, meaning that the Company has ceased recognizing interest income on the loan.

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

(5) The entire commitment was unfunded at June 30, 2013. As such, no interest is being earned on this investment.

(6) The Company is an "affiliated person," as that term is defined in the 1940 Act, of the portfolio company as it owns five percent or more of the portfolio company's voting securities.

See Notes to Consolidated Financial Statements.

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

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>		Maturity Date	Principal Amount	Cost	Percentage of Net Assets	Fair Value
<b>Investments</b>									
<b>Canada</b>									
<b>Debt investments</b>									
<b>Leisure, Amusement, Motion Pictures, Entertainment</b>									
Extreme Fitness, Inc. <sup>(3)</sup>	Subordinated debt	N/A	12.00% cash/2.50% PIK		11/2015	\$2,870	\$2,810	0.4 %	\$1,435
Extreme Fitness, Inc.	Senior loan	N/A	8.00 %		10/2012	508	508	0.1	508
<b>Total Canada</b>						\$3,378	\$3,318	0.5 %	\$1,943
<b>Fair Value as percentage of Principal Amount</b>									57.5 %
<b>United States</b>									
<b>Debt investments</b>									
<b>Aerospace and Defense</b>									
ILC Dover, LP <sup>(4)</sup>	Senior loan	L + 6.00	% N/A	<sup>(5)</sup>	07/2017	\$-	\$(8 )	- %	\$(8 )
ILC Dover, LP	Senior loan	L + 6.00	% 7.25	%	07/2017	4,407	4,323	1.2	4,319
Whitcraft LLC	Subordinated debt	N/A	12.00	%	12/2018	1,877	1,848	0.5	1,877
White Oak Technologies, Inc. *	Senior loan	L + 5.00	% 6.25	%	03/2017	1,929	1,891	0.5	1,890
	Senior loan	L + 5.00	% N/A	<sup>(5)</sup>	03/2017	-	(9 )	-	(9 )

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

White Oak Technologies, Inc. <sup>(4)</sup>						8,213	8,045	2.2	8,069
<b>Automobile</b>									
ABRA, Inc. <sup>(4)</sup>	Subordinated debt	N/A	N/A	<sup>(5)</sup>	04/2017	-	(22 )	-	-
ABRA, Inc.	Subordinated debt	N/A	12.00% cash/1.50% PIK		04/2017	9,623	9,445	2.6	9,623
American Driveline Systems, Inc.*	Senior loan	L + 5.50	% 7.00	%	01/2016	2,862	2,814	0.7	2,776
American Driveline Systems, Inc.	Senior loan	P + 4.50	% 7.75	%	01/2016	293	287	0.1	282
CLP Auto Interior Corporation*	Senior loan	L + 4.75	% 4.97	%	06/2013	3,053	3,053	0.8	2,992
Federal-Mogul Corporation	Senior loan	L + 1.94	% 2.17	%	12/2014	1,976	1,934	0.5	1,930
Federal-Mogul Corporation	Senior loan	L + 1.94	% 2.16	%	12/2015	1,008	986	0.3	985
K&N Engineering, Inc. <sup>(4)</sup>	Senior loan	P + 4.25	% N/A	<sup>(5)</sup>	12/2016	-	(6 )	-	-
K&N Engineering, Inc.	Senior loan	P + 4.25	% 7.50	%	12/2016	3,207	3,153	0.9	3,207
						22,022	21,644	5.9	21,795
<b>Banking</b>									
Prommis Fin Co.* <sup>(3)</sup>	Senior loan	L + 10.50	0.25% cash/10.25% PIK		06/2015	196	191	-	167
Prommis Fin Co.* <sup>(3)</sup>	Second lien	L + 10.50	0.25% cash/10.25% PIK		06/2015	393	382	0.1	259
Prommis Fin Co.* <sup>(3)</sup>	Second lien	L + 10.50	0.25% cash/10.25% PIK		06/2015	196	191	-	-
Prommis Fin Co.	Senior loan	L + 9.00	% 10.00	%	06/2015	95 880	93 857	- 0.1	95 521
<b>Beverage, Food and Tobacco</b>									
ABP Corporation <sup>(4)</sup>	Senior loan	L + 5.25	% N/A	<sup>(5)</sup>	06/2016	-	(6 )	-	-
ABP Corporation*	Senior loan	L + 5.25	% 6.75	%	06/2016	4,536	4,470	1.2	4,536
Ameriquel Group, LLC*	Senior loan	L + 5.00	% 6.50	%	03/2016	1,774	1,749	0.4	1,685
Ameriquel Group, LLC*	Senior loan	L + 7.50	% 9.00	%	03/2016	839	828	0.2	755

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

Atkins Nutritionals, Inc. Candy	Senior loan	L + 8.88	% 10.38	%	12/2015	5,028	4,926	1.3	5,028
Intermediate Holdings, Inc.	Senior loan	L + 6.25	% 7.51	%	06/2018	4,987	4,822	1.3	5,050
First Watch Restaurants, Inc. <sup>(4)</sup>	One stop	P + 6.50	% N/A	(5)	12/2016	-	(30 )	-	-
First Watch Restaurants, Inc. <sup>(4)</sup>	One stop	P + 6.50	% N/A	(5)	12/2016	-	(30 )	-	-
First Watch Restaurants, Inc.*	One stop	P + 6.50	% 9.75	%	12/2016	11,530	11,335	3.1	11,530
IL Fornaio (America) Corporation*	Senior loan	L + 5.25	% 6.50	%	06/2017	4,423	4,405	1.2	4,423
It'Sugar LLC	Senior loan	L + 8.50	% 10.00	%	04/2017	4,255	4,178	1.1	4,255
It'Sugar LLC	Subordinated debt	N/A	8.00	%	10/2017	1,707	1,707	0.5	1,707
Julio & Sons Company <sup>(4)</sup>	One stop	L + 5.50	% N/A	(5)	09/2014	-	(15 )	-	-
Julio & Sons Company*	One stop	L + 5.50	% 7.00	%	09/2016	7,121	7,065	1.9	7,121
Julio & Sons Company <sup>(4)</sup>	One stop	L + 5.50	% N/A	(5)	09/2016	-	(12 )	-	-
Richelieu Foods, Inc.*	Senior loan	L + 5.00	% 6.76	%	11/2015	2,111	2,075	0.5	2,048
Richelieu Foods, Inc. <sup>(4)</sup>	Senior loan	L + 5.00	% N/A	(5)	11/2015	-	(10 )	-	(18 )
						48,311	47,457	12.7	48,120
<b>Broadcasting and Entertainment</b>									
Univision Communications Inc.	Senior loan	L + 2.00	% 2.22	%	09/2014	3,997	3,969	1.1	3,992
<b>Building and Real Estate</b>									
ASP PDM Acquisition Co. LLC*	Senior loan	L + 6.25	% 7.75	%	12/2013	453	442	0.1	340
Global Claims Services, Inc.*	Senior loan	L + 5.00	% 6.25	%	06/2018	831	819	0.2	831
Global Claims Services, Inc. <sup>(4)</sup>	Senior loan	L + 5.00	% N/A	(5)	06/2018	-	(1 )	-	-
KHKI Acquisition, Inc.	Senior loan	P + 5.00	% 8.50	%	03/2013	2,626	2,625	0.6	2,101
Tecta America Corp.	Senior loan	P + 5.75	% 9.00	%	03/2014	3,506	3,506	0.8	2,994

Edgar Filing: Golub Capital BDC, Inc. - Form 10-Q

						7,416	7,391	1.7	6,266
<b>Cargo Transport</b>									
TMW Systems, Inc.*	Senior loan	P + 3.00	% 6.25	%	05/2016	1,686	1,667	0.4	1,686
<b>Chemicals, Plastics and Rubber</b>									
Integrated DNA Technologies, Inc.	Subordinated debt	N/A	12.00% cash/2.00% PIK		04/2015	4,700	4,650	1.3	4,700
Road Infrastructure Investment, LLC*	Senior loan	L + 5.00	% 6.25	%	03/2018	4,137	4,080	1.1	4,142
Road Infrastructure Investment, LLC	Senior loan	L + 5.00	% 5.46	%	03/2017	231	190	0.1	228
						9,068	8,920	2.5	9,070

See Notes to Consolidated Financial Statements.

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

	Investment	Spread Above	Interest	Maturity	Principal
	Type	Index <sup>(1)</sup>	Rate <sup>(2)</sup>	Date	Amount
<b>Containers, Packaging and Glass</b>					
Fort Dearborn Company*	Senior loan	L + 4.75	6.50	% 08/2015	\$1,349
Fort Dearborn Company*	Senior loan	L + 5.25	% 7.00	% 08/2016	3,159
					4,508
<b>Diversified Conglomerate Manufacturing</b>					
Oasis Outsourcing Holdings, Inc.	Subordinated debt	N/A	11.50% cash/1.50% PIK	04/2017	11,970
Pasternack Enterprises, Inc.*	Senior loan	L + 4.50	% 6.00	% 02/2014	3,492
Sunless Merger Sub, Inc.*	Senior loan	L + 5.00	% 6.26	% 07/2016	2,322
Sunless Merger Sub, Inc.*	Senior loan	P + 3.75	% 7.00	% 07/2016	29
Tecomet Inc.*	Senior loan	L + 5.25	% 7.00	% 12/2016	6,082
Tecomet Inc. <sup>(4)</sup>	Senior loan	L + 5.25	% N/A	<sup>(5)</sup> 12/2016	-
TIDI Products, LLC*	Senior loan	L + 7.00	% 8.25	% 07/2018	8,791
TIDI Products, LLC <sup>(4)</sup>	Senior loan	L + 7.00	% N/A	<sup>(5)</sup> 07/2017	-
Vintage Parts, Inc.*	One stop	L + 6.00	% 8.50	% 12/2013	82
Vintage Parts, Inc.*	One stop	L + 8.00	% 9.75	% 12/2013	1,239
Vintage Parts, Inc.*	One stop	L + 5.50	% 5.86	% 12/2013	5,934



39,941

**Diversified  
Conglomerate  
Service**

API Healthcare Corporation*	One stop	L + 9.03	% 10.53	% 02/2017	9,587
Consona Holdings, Inc.*	Senior loan	L + 5.50	% 6.75	% 08/2018	1,092
Consona Holdings, Inc.*	Senior loan	L + 6.00	% 7.25	% 08/2018	1,567
Consona Holdings, Inc. <sup>(4)</sup>	Senior loan	L + 5.50	% N/A	(5) 08/2017	-
Document Technologies, LLC <sup>(4)</sup>	Senior loan	L + 5.00	% N/A	(5) 12/2016	-
Document Technologies, LLC	Senior loan	L + 5.00	% 6.50	% 12/2016	4,717
EAG, Inc.*	Senior loan	P + 3.50	% 6.75	% 07/2017	2,629
Employment Law Training, Inc. <sup>(4)</sup>	One stop	L + 7.50	% N/A	(5) 12/2016	-
Employment Law Training, Inc. *	One stop	L + 7.50	% 9.00	% 12/2016	18,219
Evolution1, Inc.*	Senior loan	L + 4.75	% 6.25	% 06/2016	4,619
Evolution1, Inc. <sup>(4)</sup>	Senior loan	L + 4.75	% N/A	(5) 06/2016	-
Evolution1, Inc. <sup>(4)</sup>	Senior loan	L + 4.75	% N/A	(5) 06/2016	-
HighJump Acquisition LLC <sup>(4)</sup>	One stop	L + 8.75	% N/A	(5) 07/2016	-
HighJump Acquisition LLC	One stop	L + 8.75	% 10.00	% 07/2016	5,441
Marathon Data Operating Co., LLC	One stop	L + 6.25	% 7.50	% 08/2017	4,818
Marathon Data Operating Co., LLC <sup>(4)</sup>	One stop	L + 6.25	% N/A	(5) 08/2017	-
MSC.Software Corporation*	One stop	L + 7.74	% 9.24	% 12/2016	6,238

NS Holdings, Senior loan L + 4.63 % 6.00 % 06/2015 TYLE="margin-top:0px;margin-bottom:-6px">  
 Inc.\*

Derivative financial instruments are used by the Company to manage foreign exchange rate fluctuations. To manage interest rate risk, the Company uses interest rate swap contracts and to manage foreign exchange exposure, the Company uses foreign exchange contracts. The Company does not use derivative financial instruments for speculative purposes.

FASB ASC 815 *Accounting for Derivative Instruments* requires that derivatives be recognized at fair value on the consolidated balance sheet. In order to designate a derivative instrument as a hedge and to measure its effectiveness, the fair value is calculated based on quoted market prices.

Derivative contracts that do not qualify as hedges under ASC 815, when applied, are recorded at fair value in the consolidated balance sheet and are treated as meeting normal purchase and sale criteria. Any gains or losses on derivative contracts are recorded in net (loss) income when the contracts do not apply hedge accounting as defined by ASC 815 to any of the Company's assets or liabilities.

**(m) Income taxes**

In accordance with FASB ASC 740, *Accounting for Income Taxes*, the Company uses the liability method of accounting for income taxes. Under the liability method, the Company recognizes for the estimated income taxes payable for the current period and recognizes for temporary differences between the tax and accounting income and the benefit of losses and other deductions carried forward that are expected to be realized. A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2019 and 2018**

recorded against net deferred income tax assets if it is more likely than not to be realized. Deferred income tax assets and liabilities are measured based on the tax rates that apply to taxable income in the years in which the temporary differences are expected to be realized or settled. The effect on the deferred income tax assets and liabilities of a change in tax rates is recognized in net income (loss) in the period that the change occurs.

The Company follows ASC 740 in assessing its uncertain tax positions. ASC 740, which clarifies the accounting for uncertainty in income taxes that has an effect on financial statements, prescribes a recognition threshold of more than a 50% likelihood of being sustained on an examination and provides guidance on derecognition measurement, accounting in interim periods, disclosure and transition.

***(n) Investment tax credits***

The Company uses the flow-through method to account for eligible Scientific Research and Experimental Development tax credits. Under the flow-through method, the ITCs are recognized as a reduction to income tax expense.

ITCs are subject to technical and financial review by Canadian authorities on a case-by-case basis and therefore amounts received may vary significantly from the amounts initially recognized. Differences are recorded as an adjustment to the recognized ITCs when the review is completed and the results are made known to the Company.

***(o) Research and product development costs***

Research and product development costs are expensed as incurred.

***(p) Earnings per share***

Per share amounts are based on the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated using the

***(q) Warranty provision***

The Company provides for the estimated costs of product warranty recognized. Interactive whiteboards and other hardware products are provided with a time-limited warranty for varying periods of time. The Company estimates warranty costs based on product failure rates, warranty periods, freight, material usage, and other costs. The Company assesses the adequacy of its warranty liability and adjusts it as necessary based on actual experience and changes in future

***(r) Participant equity loan plan***

The Company implemented a Participant Equity Loan Plan (PELP) which allows the Company to loan funds to certain employees for the purpose of allowing them to purchase common shares of the Company at fair value. Company loans are subject to voting and transferability restrictions that lapse based on the

In accordance with FASB ASC 718, *Compensation - Stock Compensation*, the PELP are reported as share capital at their fair value on the date of the loan. Related employee loans and accrued interest are reported as

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010 and 2009**

***(s) Recent accounting policies adopted***

***(i) The Fair Value Option for Financial Assets and Financial Liabilities - FASB ASC 320***

In February 2007, the FASB issued FASB ASC 825, *Financial Instruments*, which amended FASB ASC 320, *Investments - Debt and Equity Securities*, to require the fair value measurement of many financial instruments and certain other items to be measured at fair value. If elected, unrealized gains or losses are recognized in income (loss) at each subsequent reporting period. ASC 825 was effective for the Company's fiscal year beginning April 1, 2009. The adoption of this new standard had no effect on the Company's reported results.

***(ii) Business combinations***

In December 2007, the FASB issued FASB ASC 805, *Business Combinations*, which is broader in scope than its predecessor pronouncement which applied only to combinations in which control was obtained by transferring consideration. ASC 805 also applies to other events in which one entity obtains control over one or more other entities. ASC 805 is effective for business combinations in fiscal years beginning on or after December 15, 2007. The adoption of this new standard did not have a material impact on the Company's accounting for any future business combinations.

***(t) Recently issued pronouncements***

In January 2010, the FASB issued revised guidance intended to improve the consistency of fair value measurements. This guidance requires new disclosures and disclosure requirements. New disclosures under this guidance include significant transfers in and out of Level 1 and Level 2 and the requirements for transfers that require purchases, sales, issuances, and settlements information to be included in the rollforward activity on a gross basis. The guidance is effective for the Company's fiscal year beginning April 1, 2010.

determine the level of disaggregation for fair value measurements and disclose valuation techniques and inputs used for both recurring and non-recurring measurements in either Level 2 or Level 3. This accounting change will be effective beginning in the first quarter of fiscal 2011, except for the recurring Level 3 fair value measurement, which will be effective for fiscal 2012. The Company is currently evaluating the impact that this change will have on its financial statement disclosures.

### **3. Corporate reorganization**

In August 2007, the shareholders of a predecessor related company and an unrelated investor resulting in the former shareholder group owning 50.10% of the related company from 100% to 50.10%. A corporate reorganization was completed in the transaction with the investor (the Corporate Reorganization). As a result of the Reorganization, the predecessor company was purchased by the Company and accounted for in accordance with EITF 88-16, *Basis in Level 3 Measurements* (EITF 88-16). Under EITF 88-16, a change in accounting basis is

F-13

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2008 and 2007**

only when there has been a change in unilateral control or voting control of the Company and a controlling shareholder is established. As there was not a change of control, the Company is accounted for on a continuity-of-interests basis with the impact on the Company's deficit.

For the year ended March 31, 2008, the consolidated financial statements include the results of operations for STI for the period April 1, 2007 to August 27, 2007 and the results of operations of the Company since inception including those of ULC for the period April 1, 2007 to August 27, 2007.

The balance sheet impact of the Corporate Reorganization is as follows:

Demand promissory note
Promissory note
Common shares
Cumulative preferred shares
Other

Charge to deficit

The demand promissory note was subsequently repaid from the Company's credit facility (note 8). As part of the Corporate Reorganization, the Company transferred its interest in the Company to the unrelated investor, \$28,169 was repaid to the investor, and the repayment of the demand promissory note and held until certain conditions were met, was accrued on the escrowed amount. In August 2008, one year plus accrued interest was released.

Costs relating to the Corporate Reorganization amounting to \$1,000 were incurred during the year ended March 31, 2008.

**4. Accumulated other comprehensive (loss) income**

Balance at beginning of year
Unrealized (losses) gains on translation of consolidated financial statements to U.S. dollar reporting currency
Unrealized (losses) gains on translation of foreign subsidiaries to Canadian dollar functional currency
Other comprehensive (loss) income
Balance at end of year

**5. Trade receivables**

Trade receivables
Allowance for doubtful receivables



---

**Table of Contents**

SMART Technologies

Notes to Consolidated Financial Statements

(thousands of U.S. dollars, except per share amounts)

For the years ended March 31, 2018 and 2017

The following table summarizes the activity in the allowance for doubtful accounts:

Balance at beginning of year
Charge to bad debts expense
Reduction to provision
Foreign exchange loss (gain)
Balance at end of year

**6. Inventory**

Raw materials
Finished goods
Provision for obsolescence

The provision for obsolescence is related to finished goods and work in process.

**7. Property and equipment**

Cost
Building
Information systems, hardware and software
Assembly equipment, furniture, fixtures and other

Construction in progress

Accumulated depreciation and amortization

Building

Information systems, hardware and software

Assembly equipment, furniture, fixtures and other

Net book value

Building

Information systems, hardware and software

Assembly equipment, furniture, fixtures and other

Construction in progress

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010**

Depreciation and amortization expense incurred is as follows:

**Building**

Information systems, hardware and software

Assembly equipment, furniture, fixtures and other

The building is the Company's global headquarters located in San Francisco, California, which was completed in 2009, at which point the Company commenced occupancy. The building includes \$548 of capitalized interest. Included in accrued interest expense are capital expenditures of \$2,793 at March 31, 2010 (\$4,041 at March 31, 2009).

The amount of depreciation expense included in cost of sales is \$1,200 for the years ended March 31, 2010, 2009 and 2008, respectively.

**8. Long-term debt and credit facilities**

Long-term debt

First lien facility

Second lien facility

Unsecured term loan

Term construction facility

Current portion of long-term debt

Related party long-term debt

Construction loan

Shareholder note payable

Cumulative preferred shares

Current portion of related party long-term debt

F-16

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010 and 2009**

***(a) Credit facilities***

***(i) First lien facility***

In August 2007, the Company entered into a seven-year, \$30 million revolving credit facility (the "First lien facility"). The full amount was drawn on the facility at the time of the Company's closing. At March 31, 2010, \$40,000 was drawn on the revolving credit facility which was subsequently repaid in April 2010. This facility is secured by all assets of the Company and certain subsidiaries.

The Company may repay all or a portion of the First lien facility at any time without prepayment premiums. The term-loan portion of the First lien facility requires repayments totaling \$3,050. In addition, beginning with the term-loan repayments, the Company is required to repay amounts under the facility ranging between \$100,000 and \$200,000 per quarter, contingent upon the Company's leverage ratio at the time of the repayment. If the leverage ratio was below the level required to trigger a repayment, no repayment is required.

Borrowings under the term loan bear interest at floating rate based on the federal funds rate or the Canadian base rate of the administrative agent. Borrowings under the revolving credit facility bear interest at floating rates based on the United States federal funds rate, the Canadian base rate of the administrative agent, or the Canadian prime rate. The Company has discretion with respect to which rate is used. The interest rate on borrowings under the First lien facility was 5.5% at March 31, 2010 and 3.5% at March 31, 2009.

The Company had outstanding letters of credit totaling \$2,100,000 at March 31, 2009. These letters of credit have not been drawn upon and are available to the Company under the revolving portion of the First lien facility.

The Company was in compliance with all financial covenants under the First lien facility in accordance with U.S. GAAP at March 31, 2010. The facility is subject to a financial covenant requiring the Company to maintain a leverage ratio of not more than 1.50 to 1.00.

leverage ratio test and an interest coverage ratio test. Compliance has been in compliance with all covenants during all reporting periods. Prior to March 31, 2010, these covenants were calculated in

*(ii) Second lien facility*

In August 2007 the Company entered into an eight year, \$100 million facility which was fully drawn upon closing. The Second lien facility is secured over all the assets of the Company and certain subsidiaries. The Company may borrow up to the full amount of the facility at any time, however repayments during the first three years of the facility bear interest premiums of 3%, 2% and 1% of principal, respectively. Subsequent to the first three years, interest premiums are 0%.

Borrowings under the Second lien facility bear interest at the greater of the United States federal funds rate or the Canadian base rate of the applicable jurisdiction, at the discretion of the lender with respect to the basis upon which interest rates are calculated. The interest rate under the Second lien facility was 7.3% at March 31, 2010 and 7.0% at September 30, 2010.

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2009 and 2008**

The Company incurred fees of \$13,090 in closing the First Loan which have been recorded as deferred financing fees. These fees are amortized over the loans' terms based on the effective interest rate method. The amounts of these fees of \$1,525, \$1,445 and \$781 for the years ended March 31, 2009, 2008 and 2007, respectively.

***(b) Unsecured term loan***

In August 2007, the Company closed an eight-year, \$60,000 term loan. The loan was drawn upon closing. The loan is non-callable for the first four years. The Company may repay all or a portion of the loan at any time, with a 3% penalty in year one and 1% in year four. Subsequent repayments are not subject to a penalty.

Borrowings under the term loan bear interest at floating rate of the prime federal funds rate or the Canadian base rate of the administrative agent, whichever is higher, with respect to the basis upon which interest rates are set. Interest is paid quarterly over four years and paid in cash thereafter, with the deferred interest being paid at maturity. Accrued interest on the loan totaled \$19,407 at March 31, 2009. The interest rate on borrowings under the term loan was 8.8% at March 31, 2009.

***(c) Term construction facility***

In May 2008, the Company closed a 21-month term construction facility to fund construction costs of the Company's global headquarters. The facility is available for a further nine months. The available borrowings under the facility are limited to the lesser of banker's acceptances for terms of 30, 60, 90 and 180 days, with a maximum of the lesser of C\$52,000 and 75% of project costs, plus the balance on the closing date of the loan. The total balance under the facility was C\$26 and banker's acceptances totaling \$49,714. The prime rate on the facility totaled \$33,061 at March 31, 2009. The facility is primarily secured by C\$55,000 over the building and a joint and several undertaking with IFF Holdings Inc., a shareholder, to fund any cost overruns.

The Company incurred fees of \$887 in closing this facility v financing fees. These fees are shown as an asset and amortiz effective interest rate method. The Company recorded amor ended March 31, 2010 and \$419 for the year ended March 3

Borrowings in the form of banker s acceptances bear intere banker s acceptance rate and CDOR borrowings in the form rates based on the Canadian prime rate. The Company has d which interest rates are set. The interest rate on the outstand 4.8% to 4.9% at March 31, 2010 and 5.0% to 5.9% at March loan was 5.7% at March 31, 2010 and 5.9% at March 31, 20

***(d) Construction loan***

In May 2008, as part of the undertaking for the term constru 21-month loan agreement with a shareholder to fund comple global headquarters including any cost overruns. In January further

F-18



---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010 and 2009**

nine months. This loan of C\$1,443 at March 31, 2010, is secured by a mortgage on the Company's office building. The Company may repay all or a portion of the loan at any time without incurring any repayment premiums.

Borrowings under the loan bear interest at floating rates based on the prime rate plus 1.0% at maturity, with the accrued interest added to the principal on the loan totaled \$78 at March 31, 2010 (\$16 at March 31, 2009). The interest rate was 4.3% at March 31, 2010 (4.5% at March 31, 2009).

***(e) Shareholder note payable***

As part of the Corporate Reorganization (note 3), the Company issued a note payable (with two possible five-year extensions at the Company's election) to the lender. This note is an unsecured obligation of the Company, subordinate to the secured term loan and the unsecured term loan. Subject to restrictions under the terms of the note, the Company may prepay a portion of the note prior to maturity without incurring any repayment premiums.

Borrowings under the note bear interest at a rate of 12.0% per annum. Accrued interest on the note totaled \$77,842 at March 31, 2010.

***(f) Cumulative preferred shares***

As part of the Corporate Reorganization (note 3), the Company issued C\$84,883 of cumulative preferred shares for consideration of C\$84,883. The holders of the cumulative preferred shares participate ratably with respect to the Company's debt, including the note payable. In the event a payment is made with respect to the Company's debt, the Company is obligated to make payments to the holder of the cumulative preferred shares concurrently, first towards the discharge of any accrued dividends on the cumulative preferred shares. As such, the cumulative preferred shares are not considered debt.

The cumulative preferred shares do not allow the holder to vote. The holder is entitled to receive a fixed cumulative annual dividend at the rate of 6% from the date of issue and are subject to and shall be payable at the discretion of the Directors. The dividends are recorded as interest expense on the balance sheet of the cumulative preferred shares. The accrued dividends on the cumulative preferred shares were \$18,428 at March 31, 2010 (\$9,121 at March 31, 2009).

## **9. Share capital**

### *(a) Share capital*

#### *(i) Authorized*

The Company is authorized to issue 100 redeemable common shares, including voting common shares, non-voting common shares, voting preferred shares, and non-voting preferred shares.

Voting common shares entitle the holders to vote at shareholder meetings; non-voting common shares are eligible for dividends; non-voting preferred shares entitle the holders to vote at shareholder meetings; and voting preferred shares entitle the holders to vote at shareholder meetings but are not eligible for dividends. All these shares have no par value.

F-19

**Table of Contents**

SMART Technologies

Notes to Consolidated Financial Statements

(thousands of U.S. dollars, except per share amounts)

For the years ended March 31, 2008 and 2009

*(ii) Issued and outstanding*

	Voting common shares		Non-voting common shares	
	Shares	Stated Amount	Shares	Stated Amount
Balances as of March 31, 2007	4,699,149	\$ 627		\$
Corporate Reorganization (note 3)	(4,699,149)	(627)		
Issuance of share capital	42,606,653	40,139	127,489,844	120,100
Balances as of March 31, 2008 and March 31, 2009	42,606,653	40,139	127,489,844	120,100
Issuance of common shares under Participant Equity Loan Plan	10,957,191	11,992		
Employee loans and accrued interest with respect to Participant Equity Loan Plan		(10,965)		
Balances as of March 31, 2010	53,563,844	\$ 41,166	127,489,844	\$ 120,100

As part of the Corporate Reorganization (note 3), the Company issued 10,957,191 non-voting preferred shares which do not allow the holders to vote at shareholder meetings and receive dividends and have been classified as long-term debt (note 8).

*(b) Participant equity loan plan*

In 2009, the Company implemented a Participant Equity Loan Plan. The Company has loaned funds to certain employees for the purchase of common shares of the Company at fair market value as determined. Fair market value is defined in the Plan as the most probable price that the Company's shares in an arm's length sale in the open market would receive from a willing purchaser and willing seller, without any discount for lack of control, any agreement among shareholders or any premium for a special dividend, and each acting prudently, knowledgeably and willing. Participant Equity Shares issued under the Plan are subject to the restrictions that apply to such shares are subject to restrictions that lapse based on passage of time and to restrictions that lapse based on performance of the Company. All Participant shares lapse in equal increments over five years commencing on the participant's first day of employment with the Company. The restrictions on Participant shares lapse upon a liquidity event that provides a return on investment to the shareholders of the Company above certain valuation thresholds. If a Participant shares, those shares are not subject to any further restrictions. The Company will not make any loan in respect of such shares. The Plan is limited to 6% of the total capital of the Company.

Under the Plan, the Company loans the share purchase amount to the participant. The loans carry an interest rate of Canadian prime plus 2% which is reviewed each quarter to apply to the following quarter. Interest is added to the principal and repayment terms are 5% of the outstanding balance plus accrued interest. In addition, if a liquidity event occurs, the loan balance must be repaid as a percentage of unrestricted shares of the total Plan shares owned by the participant with interest on the date of maturity of the Plan on December 31 of the year of the Plan. Upon cessation of a

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010 and 2009**

participant's employment, one of the Company's affiliates. The participant has the obligation to sell restricted shares at a price equal to the fair market value of the shares at the time the participant resigns or is terminated without cause or the lower cost if the participant is terminated for cause. In the event of termination (under the Plan), the participant is obligated to sell restricted shares at the price received by the initial shareholders on the change of control. The balance relating to those shares repurchased must be repaid to the Company.

Prior to a liquidity event, all shares are owned by the employee. The agreement whereby shares are voted by the Plan administrator. The shares owned by the participating employee under a pledge agreement are owned by the participant. In addition, the shares cannot be transferred or sold.

Shares granted under the Plan are reported as share capital in the balance sheet at the date of issue. The outstanding related loans and accrued interest are reported as liabilities in the balance sheet.

In August 2009 and February 2010, the Company made loans of C\$1,923 and C\$1,923 respectively, and issued 10,412,500 common shares at a price of C\$1.06 and \$3.53 per share, respectively. During the period, repayments totaled \$1,918 and accrued interest at March 31, 2010 was established based on independent valuation of the common shares at that date. Subsequent to the initial sale, 107,000 shares held by employees are subject to repurchase at March 31, 2010. The value of these shares is included in current liabilities and the value of the related loan is included in current assets.

**10. Income taxes**

Income tax expense differs from the amount that would be calculated based on Canadian federal and provincial statutory income tax rates because of the following:

The reasons for these differences are as follows.

Income (loss) before income taxes	
Domestic	\$ (
Foreign	
	\$ (
Combined tax rate	
Expected income tax expense (recovery)	
Adjustments	
Non-deductible, non-taxable items	
Variation in foreign tax rates	
Deferred income tax rate differences	
Change in valuation allowance	
Investment tax credits	
Other	
Income tax expense (recovery)	\$

F-21

**Table of Contents**

SMART Technologies

Notes to Consolidated Financial Statements

(thousands of U.S. dollars, except per share amounts)

For the years ended March 31, 2010 and 2009

The tax effects of temporary differences that give rise to significant deferred tax assets and liabilities are presented below.

Deferred income tax assets  
 Inventory  
 Non-capital losses  
 Foreign non-capital losses  
 Property and equipment  
 Derivative contracts  
 Deferred revenue  
 Long-term debt  
 Intangible assets  
 Warranty accrual  
 Other  
 Valuation allowance

Deferred income tax liabilities  
 Intangible assets  
 Property and equipment  
 Long-term debt  
 Investment tax credits  
 Long-term debt financing costs

Net deferred income tax asset  
 Less deferred income tax asset - current

Deferred income tax asset - long-term

The Company had consolidated non-capital losses for income tax purposes of \$17,125 at March 31, 2010 and \$17,125 at March 31, 2009 for income tax purposes through to 2029.

In assessing the realization of deferred tax assets, management estimates the likelihood that some portion of or all of the deferred tax assets will be realized. In making this assessment, management considers all available evidence, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. To the extent that any portion of the deferred tax assets is more likely than not to be realized, a valuation allowance has been recorded.

As at March 31, 2010 and March 31, 2009, the Company did not have any unrecognized tax benefits. The Company files federal and provincial income tax returns in the United States and state income tax returns in the United States and its other jurisdictions. The Company also files income tax returns in their respective foreign jurisdictions. The Company is no longer subject to income tax examinations by tax authorities in any of the jurisdictions.

The Company has received notification from the Canada Revenue Agency commencing an examination of the Company's Canadian income tax returns for the year ended in the 2008.



---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010**

and 2009 fiscal years. Any reassessments to be issued by the IRS may have a material effect on the Company's consolidated financial statements. The potential impact cannot be reasonably estimated by the Company.

Notwithstanding management's belief in the merit of the Company's tax positions, it is reasonably possible that the Company's unrecognized tax benefits will increase or decrease within the next twelve months, although this change is not expected to have a material effect on the Company's effective tax rate. Future changes in market conditions or tax filing positions may impact the Company's income tax expense.

The Company recognizes interest related to income taxes in selling, marketing and administration expenses. The amount of gross interest and penalties accrued for the years ended March 31, 2010 and 2009 was \$727 and \$1,005, respectively.

**11. Earnings per share amounts**

Weighted number of shares outstanding - basic and diluted  
(voting and non-voting common shares)

Basic and diluted (loss) earnings per share have been calculated based on the number of shares outstanding at the end of each period. Shares issued as part of the Corporate Reorganization (note 3) were outstanding for the year ended March 31, 2010 and are presented. Shares issued under the Company's Participant Incentive Plan are included in the weighted numbers of shares outstanding for the year ended March 31, 2009. Earnings per share for both the shares issued under the Company's Participant Incentive Plan and the Participant Equity Loan Plan is \$0.81 for the year ended March 31, 2009.

**12. Commitments**

	<b>2011</b>	<b>2010</b>
Operating leases	\$ 5,630	\$ 5,630
Derivative contracts	5,758	5,758
Long-term debt repayments		
Long-term debt	92,790	92,790
Related party long-term debt	1,421	1,421
Future interest obligations on long-term debt	18,132	18,132
Future interest obligations on related party long-term debt	37	37
Purchase commitments	89,975	89,975
<b>Total</b>	<b>\$ 213,743</b>	<b>\$ 213,743</b>

F-23

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2010 and 2009**

The operating lease commitments relate primarily to office, and represent the minimum commitments under these agreements.

The derivative contracts represent minimum commitments under forward strip for each instrument through the contract term.

Long-term debt commitments represent the minimum principal of long-term debt facilities and include accrued interest to March 31, 2010. Interest is deferred and added to principal in accordance with the terms of the facilities.

Purchase commitments represent short-term commitments for the assembly of the Company's products and commitments for contract manufacturers.

Commitments have been calculated using foreign exchange rates as of March 31, 2010. Fluctuations in these rates may result in actual payments above table.

**13. Guarantees and contingencies**

In the normal course of business, the Company enters into guarantees and guarantees to counterparties to secure sales agreements. If the Company be required to act under such agreements, it is expected to be able to do so.

The Company is subject to claims and contingencies related to the normal course of operations. Management believes the total amount of claims and contingencies, is not likely to have a material effect on the operations or financial condition of the Company.

**14. Segmented disclosure**

The Company reports segment information in accordance with the requirements of Regulation S-X. The related information is organized and managed as a single reportable segment. The Company's operations are substantially related to the development, design, and distribution of software of interactive whiteboard and related products that

The Company conducts business globally. Over 90% of the Company's revenue is derived from the United States and Canada. Revenue information relating to the geographic location of the Company's revenue is as follows.

Revenue
United States
Canada
Europe, Middle East and Africa
Rest of World

For the years ended March 31, 2009 and 2010, no single customer accounted for 10% or more of the Company's revenues. For the year ended March 31, 2008, 15% of revenues

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2018 and 2017**

**15. Financial instruments**

The Company's financial instruments consist of foreign exchange contracts, derivatives, and other financial instruments including cash and cash equivalents, accounts payable, accrued and other current liabilities, and long-term debt.

The Company uses derivatives to partially offset its business interest rate risk. The Company generally enters into derivative contracts with counterparties and, by policy, seeks to limit the amount of counterparty credit risk based on an analysis of the counterparty's relative credit standing. The Company does not use derivative financial instruments for trading or speculative purposes.

***(a) Foreign exchange rate risk***

Foreign exchange risk is the risk that fluctuations in foreign exchange rates will affect the Company. The Company operates globally and is exposed to foreign exchange risk primarily between the Canadian dollar and the U.S. dollar (including the British sterling (GBP)). This exposure relates to both foreign currency-denominated debt held by the Company. The Company seeks to manage its foreign exchange risk by monitoring foreign exchange rates, forecasting its net foreign currency requirements, and using forward contracts to convert a portion of the foreign currency-denominated debt to Canadian dollars for the purpose of paying Canadian dollar-denominated debt, providing greater certainty to the Company's cash flows.

These programs reduce, but do not entirely eliminate, the impact of foreign exchange rate fluctuations on the Company. The Company currently only uses currency derivatives with counterparties that are rated investment grade in accordance with ASC 815. The maturity of these instruments is consistent with the maturity of the underlying debt. Gains or losses resulting from the fair valuing of these instruments are recorded in the Consolidated Statement of Operations (gain) loss on the Consolidated Statement of Operations.

***(b) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Our financing includes long-term debt with interest based on floating market rates. Changes in these rates can affect our cash flows to service this debt. The risk associated with interest rate changes is mitigated by the fixed rate portion of long-term debt relating to the shares of our preferred shares. Periodically the Company enters into interest rate swap agreements on certain long-term variable debt. The Company uses hedge accounting designation. Changes in the fair value of these instruments are recorded as interest expense in our Consolidated Statement of Operations.

*(c) Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will fail to meet its obligations, resulting in a financial loss to the Company.

The Company sells hardware and software that enables growth of its customer base over a global geographic area. The Company's credit risk on customer receivables based on a variety of factors including customer credit history, customer

---

**Table of Contents**

**SMART Technologies**

**Notes to Consolidated Financial Statements**

**(thousands of U.S. dollars, except per share amounts)**

**For the years ended March 31, 2019 and 2018**

stability and other economic factors. Collectability of receivables management and receivables accounts are adjusted as required against the allowance when the Company determines that it is not recovered. The geographic diversity of the customer base, credit approval practices and ongoing monitoring of customer credit risk (note 5).

*Fair value measurements*

ASC 820 defines fair value as the price that would be received for an asset or liability in an orderly transaction between market participants. The Company uses a three-tier value hierarchy, which prioritizes the inputs in the fair value:

Level 1 Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 Observable inputs other than quoted market prices for similar assets and liabilities in active markets, quoted prices for similar assets or liabilities in markets that are not active; or inputs that are observable or can be derived from observable data.

Level 3 Significant unobservable inputs which are supported by observable data. These inputs typically reflect managements estimates of assumptions that market participants would use to value the asset or liability.

The fair value hierarchy also requires an entity to maximize the use of observable inputs when measuring fair value.

The following table presents the Company's assets and liabilities on a recurring basis.

March 31, 2010

<b>Assets</b>	
Money market funds	\$
Derivative instruments	
<b>Total assets</b>	<b>\$</b>
<b>Liabilities</b>	
Derivative instruments	\$
Long-term debt	
<b>Total liabilities</b>	<b>\$</b>

F-26



**Table of Contents**

SMART Technologies

Notes to Consolidated Financial Statements

(thousands of U.S. dollars, except per share amounts)

For the years ended March 31, 2010 and 2009

*(a) Fair value of derivative contracts*

March 31, 2009

	Fair Value	Contract
Foreign exchange derivative contracts	\$ 583 (257)	Apr 2009 to Apr 2009 to
	\$ 326	
Interest rate derivative contracts	\$ (11,017)	Sep 2009 to

March 31, 2010

	Fair value	Contract
Foreign exchange derivative contracts	\$ 331 1,927 1,657	Apr 2010 to Apr 2010 to Apr 2010 to
	\$ 3,915	
Interest rate derivative contracts	\$ (4,299)	Sep 2009 to

(952) Dec 20

\$ (5,251)

The fair value of the foreign exchange derivative contracts included in other long-term assets at March 31, 2010 (\$326 at March 31, 2009).

The fair value of interest rate derivative contracts included in other long-term assets is \$5,758 at March 31, 2010 (\$7,650 at March 31, 2009). The fair value of interest rate derivative contracts included in other long-term assets is \$507 at March 31, 2010 (\$3,367 at March 31, 2009).

F-27

**Table of Contents**

SMART Technologies

Notes to Consolidated Financial Statements

(thousands of U.S. dollars, except per share amounts)

For the years ended March 31, 2010 and 2009

***(b) Long-term debt***

The estimated fair value of the Company's long-term debt is determined under current market conditions by discounting future cash flows under current market interest and borrowing rates believed to be available to the Company for similar debt with similar maturities. The carrying value and fair value of the Company's long-term debt at March 31, 2010, and March 31, 2009, are as follows.

	March 31, 2010 Carrying amount
Variable-rate long-term debt	\$ 507,307
Fixed-rate long-term debt	316,304
<b>Total</b>	<b>\$ 823,611</b>

***(c) Other financial assets and liabilities***

The fair values of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their carrying amounts because of the short-term nature of these instruments. A portion of these items are denominated in foreign currencies, including USD and GBP and are translated at the exchange rate in effect at the reporting date.

**16. Related party transactions**

All transactions with related parties were nominal for the year ended March 31, 2010 and 2009, with the exception of those disclosed in notes 10 and 11.

**17. Subsequent events**

- (a) On April 21, 2010 the Company acquired all the issued and outstanding shares of NextWindow Holdings Limited ( "NextWindow" ) for \$82,000 in cash. NextWindow manufactures components for optical touch screens including PC displays.
- (b) On May 13, 2010, the Company's board of directors approved a reorganization of the Company. Through a series of transactions including the issuance of a shareholder note payable, the reorganization resulted in the conversion of cumulative preferred shares, together with all accrued dividends thereon, being effectively converted to newly created Class A Subordinate Voting Shares. Through the reorganization, the voting and non-voting common shares of the Company were effectively converted into 170,089,800 Class A Subordinate Voting Shares. This series of transactions was completed on June 23, 2010, the Company's board of directors approved the conversion of both the Class A Subordinate Voting Shares and the Class B Subordinate Voting Shares.
- (c) On June 3, 2010 the Company approved the 2010 Equity Incentive Plan which provides for the grant of options, restricted share units and restricted stock to directors, officers and employees of the Company and its subsidiaries. The Company will reserve for issuance voting common shares equal to 1% of total outstanding voting common shares. No options or restricted shares will be granted under the plan.

---

**Table of Contents**

---

**Table of Contents**

*SMART Technolo*