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September 7, 2018

Nadya Roytblat, Esq.
Assistant Chief Counsel
Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Golub Capital BDC, Inc.
Golub Capital Investment Corporation
GC Advisors LLC
Request for No-Action

Dear Ms. Roytblat:

Golub Capital BDC, Inc., a Delaware corporation ("GBDC"), is an externally managed, non-diversified, closed-end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). Golub Capital Investment Corporation, a Maryland corporation ("GCIC" and, together with GBDC, the "GC BDCs") is also an externally managed, non-diversified, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. GC Advisors LLC, a Delaware limited liability company and the investment adviser to each of the GC BDCs (the "Adviser" and, collectively with the GC BDCs, the "Golub Entities"), is registered with the Securities and Exchange Commission (the "Commission") as an investment adviser under the Investment Advisers Act of 1940, as amended. In consideration for providing advisory services, the Adviser receives a management fee and incentive fees on income and capital gains. The Adviser also serves as collateral manager for certain on-balance sheet collateralized loan obligations (each, a "CLO") of GBDC and GCIC, for which it receives an annual fee equal to 0.35 percent of the adjusted principal balance of the portfolio loans held by each CLO.

The Golub Entities respectfully request assurance that the staff (the "Staff") of the Division of Investment Management of the U.S. Securities and Exchange Commission will not recommend enforcement action under Section 57(a) of the 1940 Act and Rule 17d-1 thereunder if the Adviser acquires certain loans from a GC BDC and immediately transfers such loans to a SPE (defined below) and then, in consideration for such loans, the Adviser acquires certain equity securities to be issued by the SPE at the initial closing of the CLO and immediately transfers such equity securities to the BDC. Each of these transactions involving the transfer of loans and CLO securities, as applicable, through the Adviser would be effected solely to satisfy the Risk Retention Rules (defined below) and, as further discussed, would not result in any incremental fee income or capital gain to, or have any economic effect on, the Adviser as a party to the transactions.

I. Background

A. CLO Transactions

GBDC and GCIC use CLOs as a source of long-term balance sheet financing of portfolios of loans made to small-to-medium sized companies. Generally, the overall cost of funds associated with CLOs has been more favorable than those a BDC would incur in connection with a traditional bank facility.

The formation of a typical CLO involves the establishment of a separate, bankruptcy-remote entity ("SPE") into which loans made to small-to-medium sized companies held by the BDC ("Collateral Loans") are transferred. The SPE, in turn, issues notes secured by the Collateral Loans to one or more institutional investors, none of which was an affiliated person of the Golub Entities, in a private placement. The membership interests and economic residual interests in the SPE (together the "CLO equity") and any notes acquired by the GC BDC (or a wholly-owned subsidiary) are transferred directly to the GC BDC (or a wholly-owned subsidiary) as partial consideration for its sale of the Collateral Loans to the SPE. The net cash proceeds from the sale of notes by the SPE are then used by the SPE to pay the BDC for the balance of the purchase price of the Collateral Loans. *See* Diagram A, attached hereto, for an illustration of such a typical BDC CLO transaction. The existing on-balance sheet CLOs completed by GBDC and GCIC are managed by the Adviser. Future CLOs could be undertaken by other BDCs managed by either the Adviser or another registered investment adviser controlling, controlled by or under common control with, the Adviser.

B. The Risk Retention Rules

On December 24, 2016, the Final Rule Implementing Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Credit Risk Retention) (the "Risk Retention Rules")[1] became effective. The Risk Retention Rules require the "sponsor" of a "securitization

[1] Credit Risk Retention, 79 Fed. Reg. 77,602 (Dec. 24, 2014).

transaction" (or its "majority-owned affiliate")[2] to retain an economic interest in the credit risk of the securitized assets (the "Retention Interest"). The "sponsor" is defined in the Risk Retention Rules as a person who "organizes and initiates a securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuing entity."[3] In the context of a CLO, as the adopting release accompanying the final Risk Retention Rules states: "the agencies believe that a CLO manager generally acts as the sponsor by selecting the commercial loans to be purchased by the CLO issuing entity and managing the securitized assets once deposited in the CLO structure, which the agencies believe is a transfer or indirect transfer of the assets."[4] Thus, the Risk Retention Rules require the collateral manager (or a majority-owned affiliate of the collateral manager) to retain the Retention Interest.

The Golub Entities have been advised by the staff of the Division of Corporation Finance that they concur with the Golub Entities' determination that, under the Risk Retention Rules, the Adviser is considered to be the sponsor of these GC BDCs' CLOs. Given that the Adviser expects to act as the collateral manager for future CLOs to be completed by GBDC and GCIC, the Adviser could be deemed the "sponsor" of such CLOs and thereby be required to hold the Retention Interest under the Risk Retention Rules.

The Risk Retention Rules, however, permit a "sponsor" to transfer all or a portion of the Retention Interest to an "originator" under certain conditions.[5] Consistent with this approach,[6] the

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[2] A "majority-owned affiliate" is defined as "an entity (other than the issuing entity) that, directly or indirectly, majority controls, is majority controlled by or is under common majority control with, such person." For purposes of the definition, "majority control means ownership of more than 50 percent of the equity of an entity, or ownership of any other controlling financial interest in the entity, as determined under GAAP." *See* Credit Risk Retention, 79 Fed. Reg. at 77,741 (Subpart A, §__.2).

[3] *See* Credit Risk Retention, 79 Fed. Reg. at 77,742 (Subpart A, §__.2).

[4] *See* Credit Risk Retention, 79 Fed. Reg. at 77,654.

[5] "Originator" is defined in the Risk Retention Rules as "a person who: (1) Through an extension of credit or otherwise, creates an asset that collateralizes an asset-backed security; and (2) Sells the asset directly or indirectly to a securitizer or issuing entity." *See* Credit Risk Retention, 79 Fed. Reg. at 77,741 (Subpart A, §__.2). The Risk Retention Rules permit "credit risk in securitized assets required to be retained and held by any person for purposes of compliance with §__.3(a) of the Risk Retention Rules whether a sponsor, an originator, an originator-seller, or a third-party purchaser" to be "acquired and held by any of such person's majority-owned affiliates (other than an issuing entity)." *See* Credit Risk Retention, 79 Fed. Reg. at 77,742 (Subpart B, §__.3(a)). Thus, a "majority-owned affiliate" of the "originator" may hold the Retention Interest.

Adviser to the GC BDCs would like to transfer the residual interest in future CLOs to the relevant GC BDC. The Golub Entities seek assurance from the Staff that they may effect such transactions in connection with future CLOs[7] for the purpose of complying with the Risk Retention Rules.[8]

C. The Proposed Transactions

The relevant GC BDC, the Adviser and CLOs propose to engage in the following sequence of transactions, with each transaction occurring immediately following completion of the prior transaction (the "Proposed Transactions"): (1) the relevant GC BDC would transfer a portion of the Collateral Loans it originated to the Adviser;[9] (2) the Adviser, in turn, would transfer such Collateral Loans to the CLO; (3) as consideration for its acquisition of the Collateral Loans, the CLO would issue to the Adviser 100 percent of the Retention Interest (in the form of CLO equity);[10] and (4) the Adviser would transfer the Retention Interest to the GC BDC in consideration for its acquisition of the Collateral Loans from the GC BDC from step (1).[11]

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[6] Numerous other conditions for complying with the "allocation to originator" approach under § __.11 of the Risk Retention Rules. For purposes of this letter, we assume that such other conditions will be complied with and thus are not relevant for purposes of this letter.

[7] We note that, as of the date of this letter, two existing GBDC CLOs and one GCIC CLO are grandfathered under the Risk Retention Rules. However, to the extent any of these CLOs undertakes a new "offer and sale" of asset-backed securities, such transaction would be required to comply with the requirements of the Risk Retention Rules. A new "offer and sale" could include certain significant modifications or amendments to the terms of existing CLOs.

[8] On February 9, 2018, the U.S. Court of Appeals for the D.C. Circuit ("DC Circuit Court of Appeals") issued a ruling vacating the Risk Retention Rules insofar as they apply to collateral managers of "open-market" collateralized loan obligations ("CLOs"). *The Loan Syndications & Trading Ass'n v. SEC and Board of Governors of the Federal Reserve System*, No. 17-5004 (D.C. Cir. Feb. 9, 2018). The CLOs used by the GC BDCs may not be "open-market" CLOs and request relief to the extent necessary for the Adviser to achieve compliance with the Risk Retention Rules.

[9] Only the portion of the Collateral Loans needed to comply with the Risk Retention Rules will be transferred to the Adviser; all other Collateral Loans will be transferred by the GC BDC to the CLO.

[10] The Retention Interest would be the "horizontal residual interest" that represents the equity in the CLO, and such securities would meet the 5 percent credit risk requirement of the Risk Retention Rules. Any other securities issued by the CLO that would be acquired by the GC BDC would not be considered to be part of the Retention Interest and, accordingly, would be transferred directly to the GC BDC or its wholly-

The "purchase price" of Collateral Loans transferred through the Adviser to the CLO would be equal to the "purchase price" of the Retention Interest transferred through the Adviser to the GC BDC, resulting in a complete offset for the Adviser.[12] Simultaneous with the foregoing, the GC BDC will transfer the remainder of the Collateral Loans it originated (i.e., those Collateral Loans which did not pass through the Adviser) directly to the CLO; as consideration for such Collateral Loans, the CLO would transfer to the GC BDC the Net Cash Proceeds from the CLO issuance and certain CLO securities (which may include CLO notes or any portion of the CLO equity not constituting the Retention Interest). *See* Diagram B, attached hereto, for an illustration of the proposed CLO transaction. The price paid by the GC BDC to the Adviser for the Retention Interest would be paid in the form of a reduction in price received from the Adviser for the Collateral Loans transferred or "sold" by the GC BDC to the Adviser for inclusion in the CLO in accordance with § __.11(a)(1)(iv) of the Risk Retention Rules. Upon completion of the Proposed Transactions, the GC BDC will hold and retain the Retention Interest, and the Adviser would be in compliance with the Risk Retention Rules.

With respect to each new CLO, before proceeding with the Proposed Transactions, the GC BDC's board of directors (including a majority of the directors who are not "interested persons" of the GC BDC (as defined in Section 2(a)(19) of the Investment Company Act)) would approve the GC BDC's participation on the basis of such Proposed Transactions (i) being no less advantageous to the applicable GC BDC than other participants of the Proposed Transactions, (ii) being reasonable and fair, and (iii) not involving overreaching on the part of any person concerned.

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owned subsidiary. Similarly, the cash proceeds (net of expenses) obtained through the issuance of securities by the CLO to third-party investors would also be transferred directly to the GC BDC.

[11] We note that the key distinction between a traditional CLO formation transaction of the type GBDC and GCIC would have undertaken prior to the effectiveness of the Risk Retention Rules and the transactions being proposed in this letter is the act of passing certain of the Collateral Loans and CLO equity, respectively, through the Adviser in a series of "wash" transactions, in which the Adviser would not profit, would receive no incremental fees and would not receive any property interest in the Collateral Loans or the CLO equity, respectively.

[12] For administrative convenience and to avoid the possible confusion associated with multiple wires, certain of the cash payments described in this letter may be netted. It is not anticipated that the Adviser itself would receive any direct cash wires in connection with the transactions described; rather, the cash representing the purchase price for the Collateral Loan would be sent directly from the SPE to the GC BDC and/or a wholly owned subsidiary of the GC BDC (or such subsidiary's lender).

As a result of the Proposed Transactions, the Adviser would not earn any profit from its purchase and sale of Collateral Loans or the Retention Interest. Furthermore, no risk of loss associated with the Collateral Loans or the Retention Interest would ever be held by the Adviser. The Adviser would hold the relevant assets for only a brief moment in time before passing them on as described above. For this reason, title to the Collateral Loans would never be recorded in the name of the Adviser, nor would any gain or loss on such assets be recorded by the Adviser. The Adviser also would not become insolvent, nor would the Collateral Loans or the Retention Interests become encumbered by any lien, as a result of their having been passed through the Adviser.

II. Analysis

Sections 57(a)(1) and 57(a)(2) of the 1940 Act restrict certain affiliates of a BDC, acting as principals, from knowingly selling or purchasing securities or other property from or to such BDC. Section 57(a)(4) makes it unlawful for any person who is related to a BDC, acting as principal, to knowingly effect any transaction in which the BDC is a joint or a joint and several participant in contravention of rules as prescribed by the Commission.

Although the Commission has not adopted any rules expressly under Section 57(a), Section 57(i) provides that the rules under Section 17(d) of the 1940 Act applicable to registered closed-end investment companies (*e.g.*, Rule 17d-1) are, in the interim, deemed to apply to transactions subject to Section 57(a). Section 17(d) of the 1940 Act generally prohibits an affiliated person (as defined in Section 2(a)(3) of the 1940 Act), or an affiliated person of such affiliated person, of a registered closed-end investment company acting as principal, from effecting any transaction in which the registered closed-end investment company is a joint or a joint and several participant, in contravention of such rules and regulations as the Commission may prescribe for the purpose of limiting or preventing participation by the registered closed-end investment company on a basis different from or less advantageous than that of such other participant.

Rule 17d-1 generally prohibits participation by a registered investment company and an affiliated person (as defined in Section 2(a)(3) of the 1940 Act) in any "joint enterprise or other joint arrangement or profit-sharing plan," as defined in the rule, without prior approval by the Commission by order upon application. Designed to prevent abuses arising from the conflicts of interest inherent in joint arrangements between investment companies and their affiliates, Section 17(d) seeks to restrict self-dealing transactions and insider abuse, ensuring that the investment company and the affiliated persons in a joint arrangement participate on equal terms, and ensuring that in a joint arrangement, an investment company is treated fairly or has been clearly advantaged by the transaction.[13]

Section 57(b) of the 1940 Act specifies the persons to whom the prohibitions of Section 57(a) apply. These persons include any director, officer, employee, or member of an advisory board of a BDC, or any person (other than the BDC itself) who is an affiliated person of the foregoing pursuant to Section 2(a)(3)(C) of the 1940 Act; or any investment adviser or promoter of, general partner in, principal underwriter for, or person directly or indirectly either controlling, controlled by, or under common control with, a BDC, or any person who is an affiliated person of any of the foregoing within the meaning of Section 2(a)(3)(C) or (D) of the 1940 Act.

Collectively, absent the relief sought in this letter, the provisions in Section 57(a) of the 1940 Act and Rule 17d-1 thereunder would restrict the Adviser of a GC BDC from acquiring and holding a Retention Interest in a CLO undertaken by such BDC. Together, the acquisition and transfer by the Adviser of the Collateral Loans and the acquisition and subsequent transfer of Retention Interests from the Adviser to the GC BDC, undertaken solely to comply with the Risk Retention Rules, could be characterized as principal transactions prohibited by Section 57(a) and Rule 17d-1 of the 1940 Act.

D. Protection Provided by the Proposed Transactions

We believe that the Proposed Transactions described above do not raise the concerns of overreaching and conflicts of interest by an affiliate underlying the 1940 Act's prohibitions on affiliated transactions, which were enacted to address "unscrupulous" self-dealing by investment advisers and their officers and directors to the detriment of the investment companies they manage.[14] We specifically represent that:

1. Each of the Proposed Transactions would be effected solely to satisfy the Risk Retention Rules.

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[13] *See Investment Company Act of 1940; Hearings on S. 3580 Before a Subcomm. of the Senate Comm. on Banking & Currency*, 76th Cong., 3d Sess. pt. 1 at 252-62 (1940) (statement of David Schenker, Chief Counsel, Securities and Exchange Commission). *See also id.* at 37 (Robert Healy, Commissioner, Securities and Exchange Commission, discussing insider abuse in the investment company industry).

[14] *See, e.g.*, H.R. Rep. No. 2639, 76th Cong., 3d Sess. 9 (1940) (noting that the affiliated transaction provisions of the 1940 Act were necessary to prevent overreach and self-dealing by affiliates at the expense of an investment company and its shareholders).

2. Each Proposed Transaction would occur immediately following completion of the prior Proposed Transaction.

3. The Adviser would not receive any compensation for effectuating, or achieve any profits or losses as a result of, the Proposed Transactions.

4. Each GC BDC would purchase the Retention Interest from the Adviser for the same price and on the same terms that the Adviser acquired the Retention Interest from the CLO.

5. Title to the Collateral Loans transferred in the Proposed Transactions would never be recorded in the name of the Adviser.

6. At the time of the Proposed Transactions, the Adviser would not be insolvent, and the Collateral Loans or Retention Interest transferred through the Adviser in the Proposed Transactions would not be encumbered by any lien solely by virtue of such Proposed Transactions.

7. Before proceeding with the Proposed Transactions, the applicable GC BDC's board of directors, including a majority of directors who are not "interested persons" of the GC BDC (as defined in Section 2(a)(19) of the Investment Company Act) would approve the GC BDC's participation in the Proposed Transactions on the basis of such Proposed Transactions (i) being no less advantageous to the applicable GC BDC than other participants of the Proposed Transactions, (ii) being reasonable and fair, and (iii) not involving overreaching on the part of any person concerned.

Thus, we request that the Staff confirm that it will not recommend to the Commission that it take any enforcement action under Section 57(a)(1), (2) or (4) of the 1940 Act or Rule 17d-1 thereunder if the Adviser were to acquire Collateral Loans from a GC BDC and immediately transfer such loans to the SPE and then, in consideration therefor, the Adviser were to receive the Retention Interest in the form of securities to be issued by the SPE at the initial closing of the CLO and then immediately transfer such Retention Interest to such BDC. We are not requesting from any division of the Commission any exemptive or other no-action letter relief with respect to the Risk Retention Rules.

We appreciate your assistance in this matter. Please do not hesitate to call Thomas Friedmann of Dechert LLP at (617) 728-7120 (or by e-mail at thomas.friedmann@dechert.com) if you would like to discuss any of the issues posed herein.

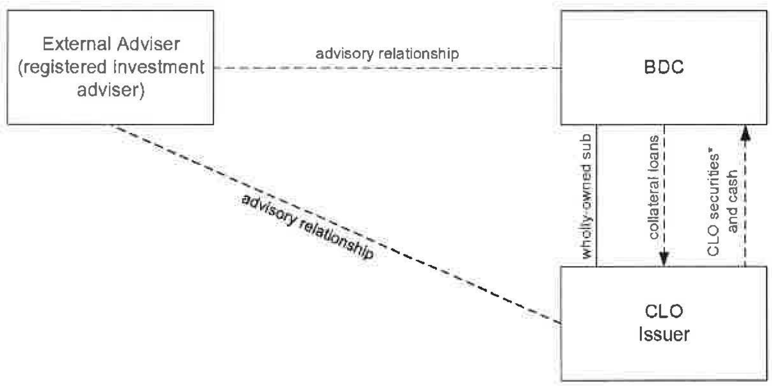
Sincerely yours,

Thomas J. Friedmann

Diagram A

Standard BDC CLO Transaction

(Pre-Risk Retention)



*As used herein, "CLO" securities includes secured notes and/or equity.

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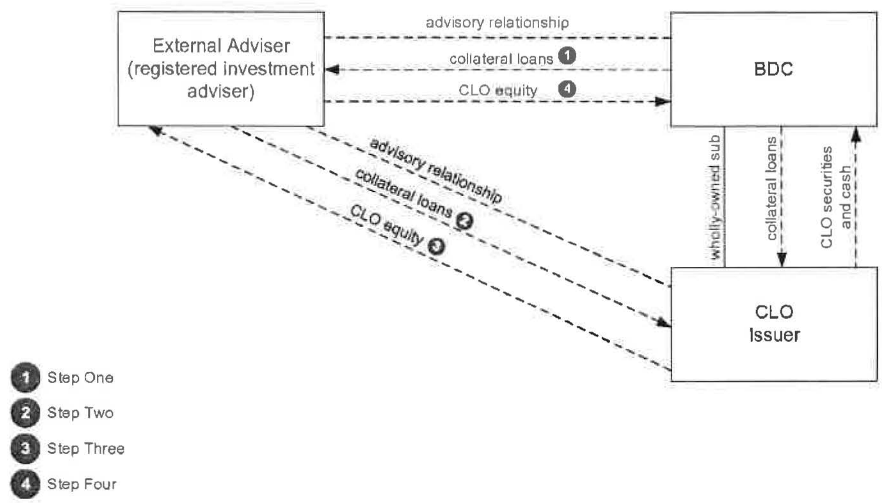
Diagram B

Proposed BDC CLO Transaction

(Risk Retention Compliant)



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